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NEWS SUMMARY

GENERAL BUSINESS

London alert for more bombs

Police last night warned people travelling to central London today to watch out for more bombs - following Friday night's 15-bomb attack on the West End and a Provisional IRA warning of a renewed bombing campaign.

In Ulster the Provisional IRA planted 28 bombs on Saturday, the eve of the fifth anniversary of Bloody Sunday when 13 civilians were shot dead by British troops in Londonderry - the scene yesterday of a peaceful march and rally commemorating the event.

In London, 30 supporters of the Troops Out movement stood on a traffic island at Trafalgar Square in protest at the Government's refusal to let the movement hold a rally under Nelson's Column.

Uganda aircraft missing with 18 Britons aboard
A personal aircraft of President Amin carrying a crew of four and 18 Britons, most of whom had been invited to Uganda for celebrations marking the sixth anniversary of the president's rule, was reported missing yesterday in a storm near the Kenyan border.

Giscard row may lead to election
The row between President Giscard d'Estaing of France and M. Jacques Chirac, his former Prime Minister, over M. Chirac's decision to become a Paris mayor in March 1976, is expected to set last night to provoke a political crisis, with the possibility of an early General Election which the Socialist-Communist alliance would be favoured to win.

The EEC comes to London today
The nine Foreign Ministers of the European Economic Community are to begin two days of talks in London today, their first meeting in the capital since Britain's Roy Jenkins, who is to attend, assumed the presidency of the EEC Commission.

Spanish arrests
More than 200 members of Left-wing parties have been arrested in Spain since the Government's decision to give the police more extensive powers of detection and search.

NUJ strike call
The National Union of Journalists is due to call out on strike on Thursday nearly 1,100 journalists in support of four separate demands.

TV Olympics
The National Broadcasting Company said in New York yesterday that it had reached agreement with the Soviet organizing committee for exclusive U.S. television rights to the 1980 Olympic Games in Moscow.

Briefly...
India, after losing the first three Tests is well placed to win the fourth.

Vital meetings this week on pay and industrial strategy

BY ADRIAN HAMILTON

In a succession of important meetings this week, the Government is to attempt to give new impetus to the two major planks of its economic policy: its phase three wage negotiations and its industrial strategy.

To-morrow, Mr. Denis Healey, Chancellor, is to meet leaders of the Trades Union Congress for the first formal discussion on wages and on Wednesday the Prime Minister is to meet leaders of industry and unions at the National Economic Development Council to discuss the next phase of the industrial strategy.

It is on these two issues that the Government is basing its economic strategy this year. The first area, all considered to be growth points whose performance could be accelerated over the shorter term with more effort are: industrial engineering; construction equipment; office machinery; electronic components; and domestic electrical appliances.

Power plant
It could also arouse industrialists' sensitivities as an intractable step towards greater State intervention, particularly as all these areas are regarded as prime sectors for structural reorganisation and the National Enterprise Board, through its subsidiaries, is involved directly in four of them.

EEC steel plan may be running into difficulties

BY DAVID BUCHAN AND ROY HODSON

THE ATTEMPT by the steel industries of the nine Common Market countries to respond to the international slump in steel demand in a unified fashion during difficult months expected ahead is already coming under severe strain.

It is becoming clear that many of the EEC steelmakers, faced with a continuing crisis of considerable proportions, are giving up the idea of co-operation in the Commission's ingenious Simonet plan.

Restraint
Europe's steelmakers are finding it difficult to accept the competitive instincts with the plan for restraint. Most of the 35 companies who have responded to the proposed reduction targets for sales set by the Commission (in conjunction with EEC's steel club of Community steelmakers) are demanding higher quotas as the price of their co-operation.

British Airways seeks approval for half-price excursions
HALF-PRICE fares on scheduled air services between London Heathrow and several European countries could be introduced in the spring if British Airways wins Government approval for a special deal on excursion fares that has been agreed with national airlines.

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Nkomo will not meet Richard

By Our Foreign Staff

MR. JOSHUA NKOMO and Mr. Robert Mugabe, leaders of Rhodesia's Patriotic Front, will refuse to meet Mr. Ivor Richard in Lusaka this week they said yesterday, dimming the remaining hopes for a resumed Geneva conference on Rhodesia.

In a statement issued in the Zambian capital, the two said that by halting the Geneva talks without consulting the nationalists Britain had left black Rhodesians no choice but to intensify their guerrilla war. "We shall not be found wanting in this respect," they added.

Reaction
Mr. Richards said that the Patriotic Front's decision "may be based on some misunderstanding of the status of the Geneva conference. We have never said the whole process is at an end."

The statement from Mr. Nkomo and Mr. Mugabe said that "by breaking the talks unilaterally, Britain has shown callous disregard for the interests of the 6.5m. Zimbabwans in preference for the interests of its kith and kin."

President Kenneth Kaunda of Zambia declared over the week-end that all initiatives to attain Africa's objectives by peaceful means have failed. Opening an Organisation of African Unity Liberation Committee session which is likely to concentrate on ways of stepping up Rhodesia's bush war, he said: "The dangers of a bloodbath have never been worse."

He did not regard the West as likely comrades-in-arms for the nationalists, and added: "We are only a step away from a racial war in which the super-powers cannot but be involved."

Carter visits energy crisis disaster area

BY STEWART FLEMING NEW YORK, Jan. 30.

PRESIDENT CARTER, declaring the states of New York, New Jersey and Ohio to be Federal disaster areas, flew to Pittsburgh this morning to see for himself some of the chaos wrought by the arctic storms which have gripped the eastern U.S.

At one stage, Mr. Carter is understood to have considered asking Congress to approve legislation putting industry on a four-day week to conserve energy supplies. Instead Mr. Carter is now urging industry in states worst affected by the crisis to consider such a move.

Profitability
With the long-range forecast predicting equally harsh conditions for February, a major New York City bank, Manufacturers Trust, has warned that the rate of unemployment could increase by half per cent, as a result of the weather. Wall Street analysts are already forecasting that the profitability of some industries - chemicals for example - will be adversely affected.

Lost oil
In some areas of the country on Friday night as the storm swept into the Midwest the temperature plunged to 40 degrees below zero. Coupled with driving 50 and 40 mile-an-hour winds the Windchill Factor fell to 100 degrees below zero fahrenheit.

Off Massachusetts a large bringing an estimated 3m gallons of heating oil to the state was caught and holed by ice flows in the Atlantic, spilling 100,000 gallons of oil.

In New York and Pennsylvania emergency accommodation has been set up by State and city governments to care for people stranded by the blizzards and others whose domestic heating has been cut off or is inadequate. So far, however, most supplies to residential users, hospitals and other, feature in the comprehensive energy policy review which the President has asked Mr. James Schlesinger to prepare within 90 days of taking office as Energy Adviser.

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Short- medium- and long-term credits at fixed or variable rates in convertible currencies for national and international industrial and commercial investments

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What Bullock left out of account

BY GEOFFREY OWEN

FROM THE community's point of view, what matters most about companies is that they should be managed efficiently...

One very important aspect of the framework, clearly, is competition. That is the most important external constraint...

Shareholders

Who does the monitoring? In theory the shareholders do, but as everyone knows, shareholders tend to be passive until the crisis comes...

In these circumstances executive management must be frequently free from external interference. The chairman/chief executive is a dominant personality who likes to have his own way...

The only way of making sure this situation does not arise is to have on the Board non-executive directors who are sufficient in number (at least half the total) and in quality to exert a real brake on the chief executive...

THE WEEK IN THE COURTS

Precedent the issue in Silkin v. Denning

BY JUSTINIAN

WITH THE DUST settling on the dramatic decision of the Court of Appeal in the South African mail boycott case, thoughts are turning to whether the case is destined for the House of Lords...

Whatever the merits of the argument for the outcome of last week's decision—in which a private citizen was able through the civil courts to enforce a public right not to have the mail interfered with by postal workers responding to a union call to boycott mail to and from South Africa for one week—it is the lawyer's doctrine of precedent that will determine the appeal in the House of Lords.

For more than a 100 years judges have decided that the Attorney-General's discretion, whether to give consent to a relation action or not, cannot be questioned by the courts. It was emphatically stated as such in a House of Lords case in 1902 by Lord Halsbury and Lord Macnaghten...

Lord Denning is notaverse to ignoring precedent; he has done so in the past. In 1972 he was rebuked by Lord Hailsham, then Lord Chancellor. Lord Hailsham said: "I hope it will never be necessary to say again that in the hierarchical system of courts which exist in this country, it is necessary for each lower court, including the Court of Appeal, to accept loyally the decisions of the higher tiers."

Shipping

The House of Lords, since 1866, has decided itself free from the fetters of past House of Lords' cases. It has taken freedom to review its own decisions. On a number of occasions in the past 10 years it has been urged to reverse a long-standing decision, but it has exercised its right to do so sparingly.

Those who are searching around for some contemporary

example may find a straw in their Lordships' speeches in a shipping appeal that shows how the wind is blowing. On the very day that Lord Denning was delivering his grandiose judgment, the House of Lords in *Aries Tanker Corporation v. Tokai Transport Corporation* had to decide on a decision declining to reverse a long-established rule in English law.

The rule is that a claim that there has been short delivery in respect of a ship's cargo cannot be asserted by way of deduction from the freight payable. In other words, if the carrier delivers cargo that is damaged or short he must be paid in full and sued separately for the shortfall.

The case arose out of the carriage of a cargo of petroleum from the Arabian Gulf to Rotterdam under a voyage charterparty. The *Aries* is a Greek ship owned by a Liberian corporation. The charterer was a Bermuda company. The vessel arrived in Rotterdam where, on measurement of the quantity of petroleum, it was found that the delivery was short in respect of each product, to a total value claimed by the charterers to be \$30,000.

The charterers duly paid the amount due for freight, less the amount of \$30,000. The vessel owners made it clear that they did not accept the validity of this deduction and issued a writ in the English courts claiming approximately £12,000—the sterling equivalent of \$30,000 as unpaid freight. The charterers served a defence and counterclaim in which they admitted they had withheld \$30,000 from the freight but claimed that they were entitled to set off against the freight the loss claimed on the cargo, and that they were not liable for the \$30,000. They also counter-claimed for \$30,000.

The reason why the charterers were so keen to assert their entitlement to deduct their claim from the freight payable was that the freight contract contained a provision that the carrier and the ship were to be discharged from all liability in respect of loss or damage unless legal action was taken within one year after delivery of the goods and more than 24 hours had passed since the freight contract had started.

Lord Wilberforce's judicial conservatism, when it comes to upholding the doctrine of precedent is clear from this passage in his speech. It was a long-established rule of English law, he said, that a claim in respect of cargo could not be asserted by way of deduction from the freight. The rule dated at least from 1814 and had received authoritative approval from an eminent court in 1864 and again from the same court later that year. Although the rule was called "settled law," it had never been judicially doubted, questioned or criticised, but had received the approval of authoritative textbooks. It had been reaffirmed after full consideration by the Court of Appeal two years ago. Although it did not have the authority of the House of Lords, it had been referred to as the law by Lord Atkin in 1912, said Lord Wilberforce.

Lord Wilberforce concluded his reasoning with another neat quotation from Lord Sumner: "Nor does it follow in the case of a legal system that there is a principle of the law merely because it would be a more perfect expression of imperfect rules, which, though imperfect, are well established and well defined."

Lord Wilberforce added his own comment: "To do this would be macro-architecture of the law and would be for a particular type of reformer." Lord Denning, perhaps!

Lord Simon of Glaisdale agreed with Lord Wilberforce and added ominously that there was no question of "high legal policy" involved at all.

An added reason why the House of Lords was unwilling to reverse the rule against deductions in cases of carriage of goods by sea was that the parties had agreed to arbitrate under the charterparty. Lord Wilberforce said that the rule against deductions in cases of carriage of goods by sea was that the parties had agreed to arbitrate under the charterparty.

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SOCCER

BY TREVOR BAILEY

Clever little wingers keep United in the Cup

LAST SEASON'S heated analysis, Manchester United, moved an important step nearer to returning to Wembley by beating Queens Park Rangers 1-0 in the FA Cup fourth round at Old Trafford on Saturday.

This encounter between two of the most cultured teams in the country, although exciting and entertaining, was not a classic, because the hard, icy conditions, especially on the station side of the ground, made standing up a problem, let alone playing football.

With the players frequently slipping over when not even involved in the action, there were moments of farce and many felt the referee should have called off the contest. Against this it could be argued that both sides, to their credit, succeeded in providing a considerable amount of quality football, the customers were more than satisfied, a possible riot was avoided, and no further fixture had to be fitted into the Rangers' overcrowded backlog.

United just about deserved their victory, because their wingers, Hill and Coppell, both small, clever and fast, were able to keep their feet better than most and created numerous opportunities that their two centre-forwards, Pearson and Greenhoff, more solidly built and therefore less at home in the conditions, failed to exploit.

Although Rangers came close to scoring several times—a Webb header from a corner was hit against the underside of the crossbar by a defender, and an attempt also struck the bar—Stoney did not have nearly so much to do as his opposite number, Parkes, who brought off three very fine saves.

With Coppell and Hill spreading confusion down either flank, Macari and McIlroy providing service and ideas from midfield, United dominated in the early stages. Macari scored after a move which involved five other players and a fine header by Pearson. Greenhoff's drive across the face of goal, however, was not to be.

The visitors, without displaying quite the same sense of urgency or concerted action, gradually settled down and did exert some pressure on the United back four, who looked

particularly vulnerable against the high ball. With the pitch becoming even more difficult after the interval there was less overall cohesion, although, for Rangers, Bowles provided some masterful touches—without ever appearing completely involved—and Mason hit some fine crossfield passes.

United's wingers repeatedly left defenders soundering on the tricky surface and with better finishing or less agile goalkeeping would have put the issue beyond doubt.

Tony Docherty's side must stand a good chance of returning to Wembley and making up for the disappointment of last year, but much could depend on the weather, as their style could so easily become bogged down on a very muddy pitch.

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Arsenal have it easy

SOME SIDES advance towards the F.A. Cup Final in an aura of high drama, the full of exciting escapes, replays, attrition, bruising battles, bold words and big headlines. Others progress almost by stealth, as so far, have Arsenal, who coasted through 3-1 against Coventry at Highbury on Saturday, following their quiet 1-0 third-round away win against Notts County.

Of course, to-day's fifth-round draw can alter moods abruptly, as Arsenal looked a whole division above Coventry, who have sold several stars and were deprived by injury of two combative players. Yet, their captain and dynamo, and Wallace, a bustling attacker who has been badly hurt in a car crash.

Mr. Terry Neill's rebuffed Arsenal were not obliged to excel, but they put up an amply adequate performance. Hudson gave what was in a position to testify said was his best display in the four games since his expensive purchase from Stoke. He made plenty of prompt and perceptive passes, even if his pace suggested he was still a little short of peak fitness.

The tall and talented Stapleton ended a personal goal-scoring famine with a crisp header, and the rumbustious Macdonald improved his total to 19 with a shot and a header before retiring two minutes from the end, his spine jarred in a clash with Coventry's goalkeeper Blyth.

Coventry's players mostly preserved their comparative anonymity. One notable exception was Coop, captain for the day, whose

series of assaults from behind on Stapleton eventually and inevitably produced a yellow card from referee Styles. The mercenary Hutchinson showed style, but apart from his goal his contributions were largely peripheral.

Had Mr. Gordon Milne, Coventry's manager, pondered the possibility of making a tactical substitution—as he probably did—he would surely have come to the conclusion that none of his players was performing so badly as to deserve to be replaced. Yet none was irreplaceable.

Stapleton (24 minutes) and Macdonald (38) gave Arsenal a 2-0 half-time lead. It was surprising when Hutchinson scored for Coventry with a crisp, 55th-minute header. Arsenal brooked no question of them being the launching pad for a Coventry revival for Macdonald scored again within minutes of the last half-hour.

Coventry with conviction, yet that all the day's big decisions had been taken.

One final impression: while personally regretting the probability that Armstrong, an inventive and evergreen winger who has never won less than 10 per cent, has played his last game for Arsenal, one felt that young Rostron could prove a worthy successor. In only his third senior game this season he looked tricky, inventive, industrious and very much in the Armstrong mould. Perhaps he uses the same barber.

James Francis

RUGBY UNION

BY PETER ROBBINS

Jeavons, 19, plays a man's part

MOSELEY, ENJOYING another successful season, on Saturday disposed of Sale 13-3 and moved forward to the next round of the John Player Cup, in which they are at home to Leicester.

A 10-point margin was scant reward for the good groundwork put in by the pack. On the other hand, Sale claimed (with other whining about it) that Warren was at every ball. The two were jealous, complemented the grat of the front five.

Jeavons is a splendid prospect. Of course he is raw, but so is everyone at 19 unless his name happens to be Tony O'Reilly. Jeavons scored the try from a forward scrum in the fading moments of the first half, and another following Cooper's penalty. He took the ball from Cooper and stormed in from 20 yards for Cooper to convert. Although successful at the line-out, both he and Ayre were

often beaten by the sprightly Kasow. But in the set scrums, Cox, with his lightning strike, took six against the ahead. This generalised six, who could not match the Moseley forwards in the loose play until late in the game.

White and Warren were in great contrast in the Moseley back row. White, who lacks pace, played with great thought and constructiveness, while Warren was at every ball. The two were jealous, complemented the grat of the front five.

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often beaten by the sprightly Kasow. But in the set scrums, Cox, with his lightning strike, took six against the ahead. This generalised six, who could not match the Moseley forwards in the loose play until late in the game.

Horton deserves credit for astutely switching Cooper to take the kicks.

Apres from Gifford, the Moseley backs did not make full use of the first-half glut of possession. Gifford broke cleverly and passed quickly, but Cooper seemed obsessed with scissoring with either Hill or Watson. When he was not either, he dropped the ball, passed it forward, or ran into the first-time tackling of Dunning and Percival.

Sale, despite the manly scrum strength of Colton, were on the retreat from start to finish. They were forced to use the set throw at the line-out to avoid the saluting arms of Horton and Ayre. Defensive in the first half they were heeded together by the lengthy kicking of Watson. The general impression was that they were physically ill-equipped to deal with Moseley's combination of brains and brawn.

James Francis

CRICKET: FOURTH TEST

BY HENRY CALTHORPE

England will need better batting

THE RECOVERY which England's cricket has apparently made in India has been halted here almost every decision is queried, contrary to expectation. India, who lost the first three Tests by huge margins, seem almost certain to win the fourth.

England were all out in the first innings for 165, India, reaching 108 for four, took their overall lead to 165 runs. There was plenty of moisture in this pitch at the start, which was probably why it played so easily. Since then it has taken spin, and the Indian spinners have led it better than Greg and Underwood, who were hapless trying to push the ball through too fast.

By the end of the third day it was slower than it had been on Saturday. When England start their second innings, presumably on Tuesday afternoon, it will have broken up a bit more, and I cannot see them batting for a day and a half against Bedi, Prasanna and Chandra in order to save the match.

Again, England's main failing has been the batting, which in spite of their success has looked fragile in all the Tests.

The way this match has gone underlines how badly India have played before it. Now they have batted better, their spinners have found it easier to succeed, and they have shown this form earlier. England would hardly have won the first three matches with such ease.

When India began their second innings it was noticeable how well they were batting. The first wicket fell at 31, when Gaekwad played a rather crooked but short at Old and lost his off stump.

Gavaskar, meanwhile, was playing extremely well, and when Underwood came on he played two lovely off-drives. He reached his second 50 of the series in two hours, but in the next over Underwood turned one sharply and Gavaskar was caught at all-out.

Two more runs were scored before the left-handed Surinder Amarath, who had hated so well on Friday, hooked Willis to square leg, and just before the end Fairs was caught behind, dropping inward defensively.

England 195 India 253 & 105-4

James Francis

Connors faces Stockton

BY JOHN BARRETT

AFTER A WEEK of ups and downs in the \$200,000 U.S. Professional Indoor Tennis Championships, Jimmy Connors, the No. 1 seed, and Dick Stockton, the No. 12 seed, have emerged to contest the final.

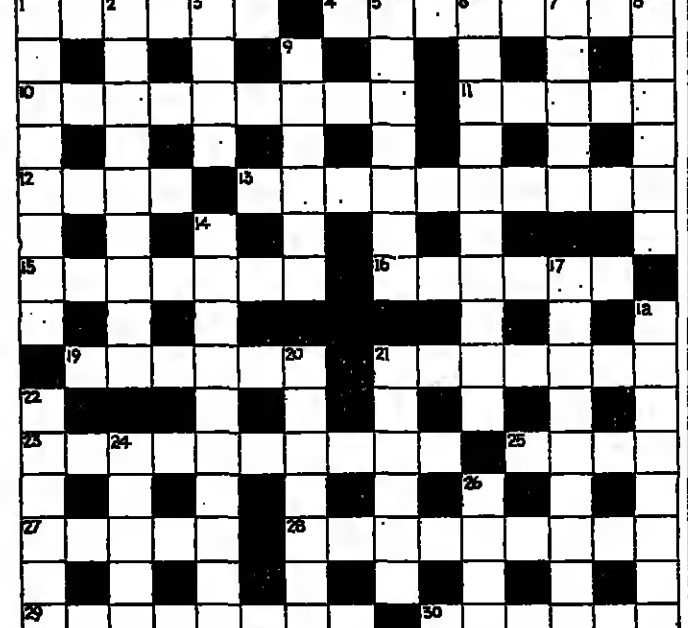
Connors, the top-ranked U.S. player, who last week beat Britain's Buster Mottram, Wojtek Fibak of Poland and the left-handed Australian, Tony Roche for the loss of only 13 games, destroyed South Africa's double-handed Cliff Drysdale 6-2, 6-2, 6-2 in a semi-final lasting only 97 minutes.

Stockton, a New Yorker now living in Dallas who is ranked seventh in the U.S., was always one step ahead of Jeff Borwick in his semi-final too, beating him 6-3, 6-4, 7-6 in 2 hrs. 2 mins. Now 25, Stockton has been a force in American tennis since his junior days. In 1974 he was going to complain about Mr. reached the semi-finals at three.

TV/Radio

Indicates programme in black and white. BBC 1 9.38 a.m. For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 2.10 Songs of Praise. 2.33 Regional News (except London). 2.59 Play School. 4.30 It's the World with Jeckery. 4.40 Blue Peter. 5.05 John Craven's Newsround. 5.10 Lizzie Dripping Again. 5.35 Magic Roundabout. 5.40 News.

F.T. CROSSWORD PUZZLE No. 3,293



- ACROSS 1 Moreover about to seize an island (6) 4 Novel appearance of three in a Palestine village (8) 10 The girl though prudent can be stingy (5-4) 11 Sounds a finished poet (5) 12 Sayings that can be cutting (4) 13 Payment the Bench intended, we hear (10) 15 The Sabbath, according to Genesis (4-3) 16 Excess with direction for preference (8) 19 The bishop is precise with us (8) 21 Beligent Roman satirist (7) 23 Flowers for motorised peoples (10) 25 Heaven's vault, studded with stars unutterably bright (Shelley) (4) DOWN 1 Records an attempt on fabric (8) 2 To exist at present on the river means no enlightenment (2, 2, 5) 3 Chaps form the hospital (4) 5 One who encourages an athlete in a drink (7) 6 Russian correspondence to mark the holidays (3, 7) 7 Oz at length supplies this animal (5) 8 Call to the faithful from Rome (6) 9 Uniform for those who are irritable (8) 14 The fruit of disobedience sticks in the throat (6, 5) 17 Alias Auld Reekie (8) 18 Where Henry's "Horse of the Year" came from (8) 20 The saint finds Old Boh inside (7) 21 Run with a chap on time (6) 22 Meet the required standard when the curtain falls (4, 2) 25 We must draw a line with the governor (5) 26 In this the dweller was not instructed in family planning (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

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Elizabeth Hall

Wigmore Hall

Business and Investment Opportunities

Satanella

by ELIZABETH FORBES

Balfé, the Dublin-born was a man of many talents. A child prodigy no less than a developed a fine baritone voice and at the age of 18 was singing the title role of *Le Troubadour* in Paris. Later he sang *Valdeburgo* in Bellini's *Il Trovatore* at Palermo, and Rossini's *Otello* at La Scala. He composed Italian and French operas, writing works for *Giulia*, *Grisi*, *Ascanio* and *Rosine Stoltz*. As a director at Her Majesty's he took over *La Traviata* from Verdi himself after first two performances.

English operas held the all through the second half of the 19th century, and indeed popular with unsophisticated audiences well into the first decade of the 20th century. *The Bohemian Girl*, *Best-known* though not his work, still survives occasionally. *The Rose of Castille* and *Satanella* have been revived at Wexford, where Balfé was a boy. *The Daughter of the Regiment* (based on the same as *Halévy's La Reine de Chypre* and *Donizetti's Caterina* turned up in London 17 years ago. The last week of the three-month season, *Integra* and the Addison extra gave three performances of *Satanella*, or *The Power of Love* at Hammersmith Town Hall.

Satanella was first performed in the Garden in December, on the opening night of an Italian opera season given by the *Pyne-Harrison* company. By the third month of the season, *Satanella* was sung once, three times, once (Balfé's own *Rose of Castille*) was staged nine times, while *Satanella* received no less than 57 performances. *Louisa Pyne* sang the title role and her co-director, the tenor William Harrison, took the part of Count Ruperto, who, having gambled away all his possessions, invokes the devil as a means of retrieving the family fortunes.

The invocation summons up not merely the fiend Arimanes, but also the female demon *Satanella*, who is transformed into a page to serve the Count and win his soul for the devil. *Satanella*, however, falls in love with Ruperto, and having reunited him with his bride Lelia, redeems her own soul through the power of love. Balfé's music, always tuneful and well crafted, occasionally rises to a higher level: the ensemble when *Satanella* impersonates Lelia and nearly marries Ruperto; a vigorous duet between Arimanes and *Satanella*; another ensemble in the slave market at Tunis (Lelia, abducted by pirates, is up for sale); and the final trio for *Satanella*, Lelia and Ruperto, all generate real dramatic power.

The performance, conducted by Brian Calloway, was surprisingly strong in just the areas where semi-amateur productions are usually weakest—the orchestral playing, David Flint sang with pleasantly free tone as Count Ruperto while Stephanie Debut attacked *Satanella*'s music even the rather sickly theme-song, "The Power of Love," firmly and rhythmically. Otherwise, the staging was acceptable, though projection of the spoken dialogue was so weak that it remained mostly inaudible. Now, perhaps, some enterprising company will put on *The Puritan's Daughter*, acknowledged as Balfé's English masterpiece, or even his Italian-language *Falstaff*, which has a score full of interesting things.

Elizabeth Hall

Mitsuko Uchida

by DOMINIC GILL

is wonderfully talented, unpredictable, and stimulating pianist, second winner of the last Leeds Competition, made another appearance on the South Bank today afternoon to give a solo of Haydn, Schumann and Liszt.

on at something less than best form, she is an artist to watch with a musician to be reckoned with. She delivered the first sonata at the start of her programme — Hob.XVI/35, one of the most transparent, light-hearted Haydn sonatas with the simplicity of line, voice texture, a beautiful crystalline performance, only rarely above a resonant mezza-lightly pedalled, in light, fortissimo tone.

the beginning of her Schumann Kreisleriana promised an optimistic sharpened pointed by careful emphasis the utmost clarity of calculation, rather than by alone. But as she continued, some of her pointing was laboured. In the slower movement, she gave us playing great delicacy, intimacy and sweetness — sometimes too delicate, a shimmering sonority soft-centred, too disembodied, for Schumann's most intimate arguments. It was a performance of the finest quality, one-sided, holding back from

the wildness, the wide-eyed energy of the music, the soaring of the marvellous central section of the third movement, the impulsiveness of the seventh and the finale.

The dramatic focus was even too close: the nervousness which kept Miss Uchida from letting go as we know she can, reaching outside herself and seeing the music whole? Temporarily, the main to be very slow: the motor rhythms and impetus of Chopin's B minor sonata were too often allowed to languish, too many rubato fingerings disturbed — clouded, rather than illuminated — the long melodies. If she could have given the Schumann and Chopin with the deterring and unelaborate directness she had brought to Haydn the sonata suddenly came alive in the finale, with tremendous weight and forward drive: but too late.

The Bourne-mouth Symphony Orchestra's Russian programme on Friday evening at the Festival Hall, also broadcast on Radio 3, offered an unusual chance to hear Rakhmaninov's unfairly neglected third symphony. The conductor was Paavo Berglund. It was an efficient, rather than a grandly symphonic performance. Mr. Berglund's inclination to select too much of the more indulgent expressive features of the melodic lines — and generally to restrain, if not positively to denature, all of the fiercest Chalkovskian eruptions — did not discover some authentic purple shades in the adagio of the second movement — even if the tint was more lavender than explicit. Rakhmaninov's music, as did the Chinese prelude — as did the Russian Khomitzer from his instrument in Shostakovich's second cello concerto: a strong committed performance which, if it could, strived, and which it could, would have almost succeeded, to convince us there was more to the glum, fur-square invention and archly smug vulgarity of the piece, than there is.

Wigmore Hall

Philip Pilkington

by DAVID MURRAY

Philip Pilkington's recital on Thursday began with some of Bach's "48," played in the manner of one who doesn't himself see anything wrong with Bach on the piano, but is anxious not to give offence to those who exploit the resources of the instrument, sounded like a delicate appendage to the "48," and the *Fantaisie* wilted through sheer lack of impetus. The *Newnes Gymniques* and the first *Heft*, with which Messiaen undertook a radical stripping-down and compression of his musical means, were rendered not only with the expected clarity, but with a tellingly weighted pose. Here one could recognise Pilkington as a performer as well as a musician: the sound sustained

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Mercury, Colchester.

A Little Bit of Fluff

by B. A. YOUNG

London life in the second year of World War One was evidently different from its equivalent in World War Two. On your 96 hours' leave from the trenches, you could take your choice of 22 theatres and eight music-halls, in spite of the Zeppelins. Florie Ford was singing "Tipperary" and Alice Delysia was singing "We don't want to lose you, but we think you ought to go." At the Criterion, in October, 1915, Walter W. Ellis's *A Little Bit of Fluff* opened a run of 1,241 performances. The company included Ernest Thesiger, Alfred Drayton and Ruby Miller.

The Mercury Theatre at Colchester has a gift for unusual revivals. *A Little Bit of Fluff* is a very tolerable farce, but besides that it is an interesting historical document and a comedy of interest in theatre history should go and see it for the latter reason if not necessarily for the first.

The eponymous bit of fluff is a lovable young lady of the town, Mamie Scott, whom John Ayers has picked up at the 500 Club. John Ayers is a worthless man; I can imagine how differently he might appear if the play were to be directed by Jonathan Miller. He is 42 years from another long-running play that began 1,466 performances in December, 1892.

There is generous invention

that includes some very good moments — Bertram Tully, for example, singing "The Rosary" through the door to Pamela to conceal the fact that behind him John and Mamie are planning their next move over the neck-lace: "When anybody calls me Bertram," Mr. Tully says wistfully, "I could do anything in the world for them," and his avowal is wrung in extreme advantage throughout the evening.

David Buxton, the director, is not Jonathan Miller and so ignores any social criticism in the play, rightly, I think for the standards of behaviour in farces are pretty flexible. (The two heroes of *Plunder* are not only thieves but murderers.) Elizabeth Charles is radiantly pretty and fetching, common as Mamie. David Ashford ominously smooth as John, Marcia Warroo the peak of propriety as Pamela. John Webb, looking like the young Rudyard Kipling until he loses his moustache, makes the most of his two hours' unremitting embarrassment. There are two enjoyable small-part performances by Monica Stewart as Bertram's formidable aunt and Mandie Joel as his fighting maid Ursula.

The pretty sets and costumes are by Richard C. Baker.

The Entertainment Guide is on Page 8

explies it, he has to pretend he had bought as a present for her. The farcical development is based on the three themes, Mamie's guilty relationship with John, the elaborate schemes to swindle the bus company, and the problem of returning the pearls to the Rajah. It is boosted by the introduction of a character called Bertram Tully, who normally plays the role of a mission to poor people but is called on to perform outrageous acts of imposture, including dressing up as his aunt — a notion Mr. Ellis may have narrowed from another long-running play that began 1,466 performances in December, 1892.

There is generous invention

Arts, Cambridge

Fidelio

by ELIZABETH FORBES

The Cambridge University Opera Society presented *Fidelio* (sung in English) to packed house at the Arts Theatre, Cambridge, all this week. Directed by Michael Rennison and designed by Moshe Mussman, with some professional singers in the principal roles and the Society's Chorus and Orchestra, the production attempted, as all things of this nature should, to bridge the gap between the disparate elements in the opera, between the comedy of the domestic scenes and the heroic drama of Leonore's rescue of Florestan. If Mr. Rennison did not quite achieve a complete fusion of these elements, he did find a framework flexible enough to accommodate them both without too obvious a discrepancy.

The opening scene, in Mr. Mussman's austere prison courtyard, was not particularly full; by setting the action in a timeless Now, the producer gave the bickering between Marzelline and Jacquino a more topical slant than it usually bears. Rocco, too, was precisely drawn, neither a monster of cupidity and greed, nor a sentimental old buffer, but a man of average intelligence, love of money and unwillingness to be involved in

other people's troubles. This balance was not disturbed by the entry of Leonore disguised as Fidelio: as her music gives her the opportunity to express her feelings, her outward behaviour could conform to the expected pattern. Uncut dialogue helped here — though not always later in the opera — to fix the modernity and universality of the text.

In the second scene, the arrival of Pizarro in Gestapo gear began to shake the foundations of the dramatic construction, but it was not until the second act when Florestan and Leonore express emotions altogether too powerful to be confined by any theatrical schema, that Mr. Rennison's ideas were seriously threatened. He allowed after the extra dimension added by the music, but had quite sufficiently gauged the overwhelming impact of Beethoven's score in performance. The final scene of rejoicing came off extremely well and was in no way an anti-climax. This was due in no small measure to the blazing account of the finale by the voice as Florestan completed the set after Dvorak's death. Essentially simple, devout settings of the psalms, they do at times have a flavour of the open air, of the lively spirit that inspires Janacek's *Glagolitic Mass*. Perhaps it was Ludmilla Dvorakova's engagingly fresh singing which gave them life; her warm, throaty voice (given a most unusual timbre by the use of head resonance instead of chest) captured the down-to-earth equality of the music very well. The combination of petulant chant, accompanied by solo born; ethereal music sung against a wind chorus; and lively dance-rhythms for full orchestra with a prominent triangle, made the songs most diverting. But there, the word "Attractive" is not a description one could use of the *Glagolitic Mass*. However finely he writes, Dvorak seems to be somewhat restricted by his conservative view of the world around him.

Festival Hall/Radio 3

Dvorak

by NICHOLAS KENYON

Dvorak is the gentlest of the great composers — if indeed he qualifies for that league, rather than for a group which Paul Hamburger described in an earlier in the day as First-Class Second-Rate composers. Dvorak never frightens me, though he may take my breath away with sheer pleasure; he never even challenges me, though he has my admiration for his unaffected craftsmanship. Take the cyclical return of the themes at the end of the *Serenade for Strings* and throughout the *New World Symphony*: the Brahms *Clavier*, Quinter, or even overbearing, as in the *Frank Symphony* — it's simply pleasurable, a fleeting memory of a past happiness.

The Royal Philharmonic Orchestra played both the *Serenade* and the *Symphony* on Thursday, and if the impact of the pieces was even less than usual, that was because the performances had no outstanding virtues. The strings played the easier sections, cultivating a broad, relaxed piano sound; but when required to display both liveliness and accuracy they failed in the latter; it should surely be possible for the violins of a professional orchestra to divide and play octaves (in the second waltz movement) in tune. The *New World* failed to generate tension because too much was given too soon; as the brass announced their theme in the opening allegro, it was clear

that this would be a performance in which the climaxes came early and were reiterated rather than developed. Antal Dorati, who conducted, had a great gift for emphasising the obvious and leaving the more complex details of texture to take care of themselves. It says much for the orchestra — especially the solo wind players — that so many fragments of delicate playing were heard.

Fortunately the evening was redeemed by an interesting rarity, well performed: the Ten Biblical Songs, Op. 99. Dvorak orchestrated the first five of these from his original piano version, and Vilém Dvořák completed the set after Dvorak's death. Essentially simple, devout settings of the psalms, they do at times have a flavour of the open air, of the lively spirit that inspires Janacek's *Glagolitic Mass*. Perhaps it was Ludmilla Dvorakova's engagingly fresh singing which gave them life; her warm, throaty voice (given a most unusual timbre by the use of head resonance instead of chest) captured the down-to-earth equality of the music very well. The combination of petulant chant, accompanied by solo born; ethereal music sung against a wind chorus; and lively dance-rhythms for full orchestra with a prominent triangle, made the songs most diverting. But there, the word "Attractive" is not a description one could use of the *Glagolitic Mass*. However finely he writes, Dvorak seems to be somewhat restricted by his conservative view of the world around him.

Theatre Upstairs

Traps

by B. A. YOUNG

Caryl Churchill's new play really is a still life. The scene is a country cottage occupied by four more-or-less permanent members of a commune together with the sister of one of them and her husband.

For a while it seems as if we may be in for an exciting evening. Visitors arrive without warning and build up an air of mystery with their stories of where they have been, what they have been doing, what is going on around them.

But as time goes on it proves that little of what they say is really true. Reg, the visiting husband, is the only reliable one. He has a weakness for seeing his wife, we are told; and to one course we actually see him doing it. But when we hear that Albert is being followed by plain-clothes men, that Jack can influence people's actions at a distance, that Syl is pregnant, that Del has raped a woman, we soon find that we are not hearing the truth. We learn, for example, that Albert has committed suicide, and hence

walks in a moment later explaining his lateness by his digging potatoes in the dark. Then he changes his excuse, he has been at a long-lasting meeting.

Miss Churchill's characters are tolerably interesting as exhibits, though hardly interesting enough to hold attention. In the end, one takes their clothes off and bathes in a hip-bath downstairs, an episode that fills the last 20 minutes of the play. But such exhibits are the same kind of study as ants in an ants' nest, for there seems to be nothing constructive in their existence. They are caught so fast in their several traps that they are deprived of life. "What shall I do?" "About what?" is a fair sample of their conversation.

Miss Churchill can write crisp dialogue and the company, under the direction of Jonathan Miller, is crisp. It is with little sign of enthusiasm. But as soon as I found out the tricks the author was playing I lost interest in the denizens of her little world; they had plenty to say to each other, but nothing to us.

Elizabeth Hall

Rodelinda

by RONALD CRICHTON

The Handel Opera Society mounted *Rodelinda* at Sadler's Wells Theatre in 1953 with Joan Sutherland, Janet Baker and Patricia Kern. On Saturday night they revived it for a well-attended concert performance. Charles Farncombe again conducting. Handel's hero and heroine are a married couple separated by villainous ambition and jealousy. Unlike Beethoven's *Leonore* and *Florestan*, they are not ordinary people but dark-age Lombard royals. The hero, Rodelinda, is a castrato role written for Senesino. The usurper Grimoaldo is a tenor — one of the few big operatic roles Handel wrote for this voice. In spite of the barbarous remoteness, the situations — separation, doubt concerning the wife's faithfulness, brief reunion, imprisonment of husband, happy end — are so strongly painted by Handel within the conventions of his day that they can still engage the sympathy of a modern audience.

The title-role was sung on this occasion by Elizabeth Harwood, whose tone even when not ideally full has a luscious surface that delights her admirers and did so here. She caught the succession of varied moods, though like other Handel singers to-day she was happier in the vigorous, animated pieces. *Rodelinda's* villain, Grimoaldo's crosby, Gari-

baldo, gave great pleasure and brilliant example) than in slower Italian fell more trippingly off the tongue. Of a Barber Institute revival of *Rodelinda* a few years ago, Andrew Porter wrote that same Uniflo (Bertrando's confidant) was more successful in aria than recitative: "in our castrato-less days, these roles are surely better taken by women." At this performance, Rodney Hardesty's singing prompted the same reactions: Uniflo's aria in jiggling metre fully, but elsewhere the blanched elderly sound was disconcertingly at odds with the singer's far from elderly appearance.

Mr. Farncombe's direction of the orchestra was unobtrusively skilful. The occasional (but by no means negligible) contributions from recorders, flutes and bassoons made their effect. There was an especially happy violin solo in net one. The score felt shapely in spite of cuts and omissions. Miss Wilkens scored before the interval by keeping her music on the stand, when she was seated. In a perfect musical world, soloists' concert-performances of opera and in oratorio would not need music but sing by heart. It not only looks better, it sounds better.

Wigmore Hall

Philip Pilkington

by DAVID MURRAY

Philip Pilkington's recital on Thursday began with some of Bach's "48," played in the manner of one who doesn't himself see anything wrong with Bach on the piano, but is anxious not to give offence to those who exploit the resources of the instrument, sounded like a delicate appendage to the "48," and the *Fantaisie* wilted through sheer lack of impetus. The *Newnes Gymniques* and the first *Heft*, with which Messiaen undertook a radical stripping-down and compression of his musical means, were rendered not only with the expected clarity, but with a tellingly weighted pose. Here one could recognise Pilkington as a performer as well as a musician: the sound sustained

It took Messiaen, after the interval to reduce the pianist into producing a characterful and resilient sound. (Chopin had not succeeded: the C major Etude, that splendid flourish exploitation of the resources of the instrument, sounded like a delicate appendage to the "48," and the *Fantaisie* wilted through sheer lack of impetus.) The *Newnes Gymniques* and the first *Heft*, with which Messiaen undertook a radical stripping-down and compression of his musical means, were rendered not only with the expected clarity, but with a tellingly weighted pose. Here one could recognise Pilkington as a performer as well as a musician: the sound sustained

(as in this music it must) a vivid life of its own, and excellently idiomatic.

Beethoven's Sonata op. 110 concluded the programme, to considerable effect. The performance was, if not exactly ripe, impressively mature; Pilkington not only displayed a thoughtful sympathy with the work, but fleshed it out with a strong, serene pulse (bar some undisguised fluster in the Scherzo) and earlier. Perhaps he had needed time to adjust to the size of the hall. At any rate, he pressed the piano to sing at last, and warmly too. A pianist whose best side is brought out by late Beethoven deserves to be taken seriously — besides, it might encourage him to compel one's attention with a better conscience.

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ASSETS	
Cash and Due from Banks	\$ 486,447,000
Securities:	
U. S. Government	574,870,000
Federal Agency and Other	9,864,000
Obligations of States and Political Subdivisions	359,896,000
Trading Account	113,536,000
Money Market:	
Federal Funds Sold and Securities	
Purchased under Agreements To Resell	208,875,000
Other Domestic	87,857,000
Foreign Offices	472,588,000
Loans	1,329,822,000
Reserve for Possible Loan Losses	(24,601,000)
Direct Lease Financing	24,296,000
Buildings and Equipment	85,967,000
Other Assets	75,279,000
TOTAL	\$3,805,086,000
LIABILITIES	
Deposits:	
Demand	\$1,133,431,000
Savings	810,542,000
Other Time	386,884,000
Foreign Offices	648,642,000
Total Deposits	\$2,979,499,000
Federal Funds Purchased and Other	
Borrowings	474,836,000
Accrued Taxes and Other Expenses	60,261,000
Other Liabilities	19,321,000
Long-Term Notes	50,000,000
Total Liabilities	\$3,583,917,000
STOCKHOLDER'S EQUITY	
Capital Stock — \$20 Par Value	\$ 66,000,000
Surplus	74,000,000
Undivided Profits	56,169,000
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TOTAL	\$3,805,086,000

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OVERSEAS NEWS

EEC Ministers meet to-day in London

By Guy de Jonquieres, Common Market Correspondent
FOREIGN Ministers of the nine Common Market countries gather in London to-day for their first meeting in Britain since the U.K. assumed the presidency of the EEC Council of Ministers at the start of this year.

The two-day meeting, which will be held at Lancaster House and chaired by Mr. Anthony Crosland, the Foreign Secretary, is one of the periodic sessions known in the Community as the "informal meetings" at which the nine discuss ways of concerning their foreign policies more closely.

The talks are not intended to reach any conclusive decisions and are structured in a deliberately informal way, with no firm agenda to prevent Ministers from airing their views as freely as possible. Discussions are usually carried over into lunch or dinner.

Much of this week's meeting, which will also be attended by Mr. Roy Jenkins, President of the EEC Commission, and Herr Wilhelm Haferkamp, the German Commissioner responsible for External Affairs, is expected to be devoted to a general view of recent developments in Southern Africa, the Middle East and relations with the Soviet Union and East Europe.

The results of the recent European tour by Mr. Walter Mondale, the new U.S. Vice-President, are also due to be assessed. But there is likely to be general agreement that the nine should refrain from taking any major foreign policy initiative on their own until the Carter Administration has had time to refine its thinking.

This holds particularly true for the future of the Rhedens negotiations, on which Mr. Crosland will give a report and in all of which, it is expected, the U.S. can be expected to play a major role.

Some initial preparatory work will be done for next June's meeting of the European Conference on Security and Co-operation in Europe, at which the Helsinki agreement of 1975 is to be reviewed by the signatories.

But although there is dissatisfaction that the Soviets and Eastern European Governments have not done more to implement the agreement, the nine are unwilling to bring the issue to a head at this stage.

Norwegians call off Czech trip
By Leslie Collitt
PRAGUE, Jan. 30. IN THE strongest Western protest to date over the crackdown on the Czechoslovak civil rights movement, Norway has called off a visit to Oslo by Mr. Andrej Kohout, the Czech Foreign Trade Minister, originally scheduled to begin to-morrow.

The main purpose of the trip was to have been the signing of a bilateral trade agreement between the two countries, but the signing has been put off by their Government because of the measures taken against supporters of Charter 77, the Czechoslovak human rights manifesto.

The improved relations between Czechoslovakia and its two Western neighbours, Austria and West Germany, may also be threatened by the arrest of leading dissenters, the interrogation of Charter supporters and the consequent loss of jobs. A planned visit to Bonn by Mr. Gustav Husak, the Czechoslovak Party leader and President, is now in doubt, as is a planned trip to Austria in the spring by Prime Minister Lubomir Strougal.

No date has been fixed for either trip but officials of both Western countries stressed that the visits could be non-productive if the human rights issue were not solved. American Chancellor Bruno Kreisky met over the weekend in Stockholm with Herr Willy Brandt, chairman of the West German Social Democrats and Herr Olof Palme, head of the Swedish Social Democratic Party, to discuss ways of aiding the embattled civil rights movement in Czechoslovakia.

Giscard-Chirac row sets France on crisis course

BY DAVID CURRY
PARIS, Jan. 30. THE CONFLICT between President Giscard d'Estaing and M. Jacques Chirac, his former Prime Minister, over M. Chirac's surprise decision to run for Mayor of Paris in March against an already designated Giscardian opponent, has reached the point of open hostilities.

The deepening row within the governing coalition now looks set to bring on a full-scale political crisis and some commentators are already anticipating that the president may be forced into an early General Election, which the Socialist-Communist alliance would be favoured to win.

Late on Friday, the President withdrew an invitation to M. Chirac to meet him after the latter had made it plain he would in no way renounce his candidacy. The meeting was to have been a last attempt to reach a compromise at summit level and avoid open battle between the two main parties

in the coalition over the Paris issue. M. Raymond Barre, M. Chirac's successor as Prime Minister, had been charged by President Giscard with finding a compromise candidate. M. Chirac refused to meet Mr. Barre and subsequently published the correspondence between them, including his own charges that Government Ministers, notably M. Michel Poniatowski, Interior Minister, had been aggressive towards him.

Because M. Chirac then went on to broaden his attack on the Government, accusing it of lacking authority and cohesion, Mr. Barre admitted that he was abandoning his attempt at reconciliation and he re-endorsed M. Michel Cournane, who had been prepared to withdraw in favour of a compromise candidate, as the Government's choice for Paris.

The open rupture between M. Chirac and the President makes the Gaullists' position as supporters and members of the ruling coalition at best ambiguous and at worst farcical. There are five senior and two junior Gaullist Ministers in the Cabinet and their position as members, both of the Government and of the party which appears increasingly to have declared war on the Administration, is increasingly uncomfortable.

They resign from their party the revitalised Gaullists, seen by M. Chirac as the front line troops in the battle against the Left, risk their own political careers. If they quit the Government, the President will have to try to form a minority Government and dare the Parliamentary Gaullists to join with the Socialists and Communists in bringing it down, or be forced into the early elections that M. Chirac, the President of the Gaullist RPR, has constantly demanded.

MONDALE IN TOKYO
Economics tops talks agenda
BY CHARLES SMITH
TOKYO, Jan. 30. APART FROM the delicate issue of U.S. troops withdrawing from Korea—which is so delicate that both sides may prefer largely to avoid it—economic issues will dominate the discussions to be held here to-morrow between Mr. Walter Mondale, the American Vice-President, and Mr. Takeo Fukuda, the Japanese Prime Minister.

The U.S. Commerce Department chose the eve of the Vice-President's arrival in Tokyo to announce that the U.S. and Japan's record deficit in the bilateral trade with Japan last year—\$8,360m, or nearly 50 per cent. of the overall U.S. trade deficit for the year, Mr. Mondale will not be calling for Japanese export restraints to correct the imbalance but may demand stronger measures.

Japan claims that its projected growth rate for fiscal year 1977 (6.7 per cent. in real terms) is already greater than forecast for any other major OECD country. Officials are also arguing that inflationary pressures are greater in Japan than in other OECD countries, except Britain and Italy, and that the deficit financing element in the Japanese budget (28.2 per cent.) represents the maximum tolerable limit.

The Japanese except the American concept that Japan is one of the three locomotives powering world economic recovery (the other two being the U.S. and West Germany) but are ready to claim that their locomotive is already taking its share of the strain.

David Curry adds from Paris: Mr. Mondale wound up the European part of his tour at the weekend in a meeting with President Giscard d'Estaing, who gave careful attention to Mr. Mondale's remarks on the importance of securing landing rights at New York for the Concorde supersonic airliner.

THAIS SEAL Cambodia borders
From Our Own Correspondent
BANGKOK, Jan. 30. THAILAND closed its border with Cambodia to-day after an attack by Khmer Rouge troops on Thai border villages yesterday which left at least 25 dead. All those killed in last night's attack near the frontier town of Aranyaprathet were Thai civilians.

Thailand Defence Minister Admiral Sangad Chalorjaporn said that Thai troops could not cross the border. While the GATT principle of reciprocity in trade has been dominant, governments have forgotten that the balance of payments is an irrelevant consideration for making policy on flexible exchange rates, it claims.

The paper, by Mr. Harry Johnson, Charles Grey Professor of Economics at Chicago University, argues that once the fixed exchange rate system was abandoned, there ceased to be any reason for co-ordinating trade negotiations and monetary reform.

Kenya demands EAA payments
From Our Own Correspondent
NAIROBI, Jan. 30. THE KENYA Government warned to a tough statement this week-end that it no longer intended to carry the debts of East African Airways, which it owns jointly with Tanzania and Uganda. The airline already owes Kenya's national financial institutions and the Kenya Government nearly \$12m, and it has reached a point where the Kenyan economy cannot continue to fund any more money into the airline without it being repaid, said the Kenya statement.

WORLD TRADE NEWS

DOING BUSINESS IN THE MIDDLE EAST Competition gets tough in Oman

BY BARBARA CASSASUS IN OMAN

OMAN'S HALCYON days are over and competition for foreign businessmen is going to be tougher than ever, at least for the foreseeable future. After five years of remarkable growth which left frequent visitors and even residents in a state of some bewilderment, the Sultanate is now concentrating on consolidating its recent development, taking care to restrict borrowings abroad and to plan the economy without again falling into the trap of overspending as it did in 1974.

Not that there is much alternative. The projections for the next five years under the development plan for 1976-80 are for a net average economic growth of 2.5 per cent. annually and if oil production falls as expected, this will be achieved only if new income-earning projects are implemented on schedule.

In the absence of new major projects, trade is suffering. Several merchants predict a decline in imports and some have recorded a fall in sales in most important product categories. In a situation of overstocking high value items they cannot move.

This does not indicate a complete slump but it does mean, for example, that construction companies looking for a choice of large scale projects to bid for are going to be disappointed. Under these new conditions it is as well for foreign companies to be careful about what they are getting into.

There is a fairly complex procedure to gain admittance and the visa remains in the Sudanese. All visitors have to be sponsored by an Omani national, who has to get a "no objection" certificate from the Department of Immigration.

It is valid for three months from the date of issue and normally allows for a specified stay of up to one month. On rare occasions NOCs can be granted by Omani Embassies abroad, but only after clearance has been given by the Department.

If setting up a business in Oman, the next step is to acquire a resident's permit, either a six-month or one-year visa (in either case with 12 months' validity) the maximum, depending on how much travelling is likely to be involved—and then a work permit from the Ministry of Labour. Some multi-entry visas are granted without a resident's permit, but rarely.

The toughest nut to crack for first-comers is, as in the Gulf, a recently hotel accommodation was virtually limited to one hotel where frequently rooms were shared. That has changed now as some 340 rooms have been added to the list of possible accommodation since the latter part of 1975.

Telecommunications with the outside world are good by international standards but for the interior still have to be developed. Little business is done there, but reaching the towns there is not too difficult a matter. But those who hire their own transport should remember that there is no map of the interior.

Breakers of the speed limit there—either 50 kilometres or 90 kilometres per hour depending on location—should be aware that exceeding it by 20 km. per hour leads to immediate arrest, imprisonment and a fine. Foreign companies proposing to establish an executive in Oman must not expect much if any change out of 15,000 Omani Rials (\$25,000) a year for basic essentials of a reasonable standard, including accommodation, quite apart from salary which gives some margin for saving and school fees abroad. They must also not be surprised to find business begins quite some time after the originally scheduled date. Delays in Oman are notoriously long. Rents are high—also usually payable in advance—and often amount to three-bedroom accommodation.

There are only three exceptions to the rule that all businesses in Oman have to be operated by local companies—Government contractors, banks and the professions. Even this is likely to change with implementation of a new law said to be in the drafting stage. It would compel consulting engineers and architects who provide a management service to the private sector to form a local company.

Although there is a choice of five types of enterprise that can be established with foreign capital, experts recommend either a joint-stock enterprise, which follows a standard format, or a limited liability one, which both have a restricted number of shareholders.

All companies with overseas investment must have a minimum paid up capital of RO25,000 (£45,000)—in practice, many have up to RO100,000—and a year's bank guarantee for the full amount of the foreign contribution. The Omani stake must be at least 35 per cent. for most kinds of business and no joint operation is eligible to buy land, except for the residential development of Madinat Qaboos—a development which was started before these regulations came into being and is, anyway, designed primarily for the expatriate community.

The normal practice is for the local partner to obtain the land end lease it to the joint organisation for approximately 15 years (until a short while ago it was often for 25 years) and after that whatever development has taken place reverts to the Omani concerned.

Several foreign construction companies have formed some sort of joint operation with Omani nationals and despite not being compulsory, it is a practical move and by strong implication is helpful in winning Government contracts, including the Tender Board, which was created in December last year to be responsible for work and Government purchases valued at over RO15m, except for Ministry of Defence projects, while contracts for RO5m. to RO15m. can be awarded by a tender committee set up by the relevant ministry and those worth under RO5m. can be let by negotiation, although these too are usually bid for.

For the private sector, which will inevitably account for an increasing share of construction spending in the future, there are no rules at present and even appears to be a more or less even split between tender and negotiation. Corporate income tax on a sliding scale from 5 per cent. to 50 per cent. of gross profits was introduced as long ago as 1971, but apart from banks, was not levied effectively for some time. Last year the law was amended to give a five-year "holiday" to companies that are either wholly Omani owned, involved in industry, agriculture or fisheries or considered to contribute to the national economy and have a paid up capital of at least RO100,000. In addition there is a 5 per cent. maximum payroll tax for companies with 50 or more employees, customs duty of 2 per cent. for most items, but no personal income tax or exchange control regulations.

Record French car output
PARIS, Jan. 30. THE FRENCH motor industry produced a record number of 3,42m. vehicles last year. Production of cars and utility vehicles topped the 5m. mark of which half were exported.

Total registrations in 1976 were also at a peak and up by more than a quarter over the previous year. Foreign imports took an estimated 22.7 per cent. of the French market. Some 48.5 per cent. of overall production was exported. Renault, the State concern, and its private sector competitor, Peugeot-Citroen each produced 1.43m. vehicles. Renault output, Peugeot took 17.7 per cent. of the discounting overseas assembly market, with a 17.5 per cent. share in 1975 and exports of 13.4 per cent. more cars to Britain and Sweden last year than in 1975. Among the market subsidiaries, Peugeot-Citroen took top place with 204,000 cars and utility vehicles sold, while Belgium, a major car assembler, shipped 129,000 vehicles; Ford followed with 119,000, and Citroen with 118,000. Italian shipments were 84,000, and Japanese 11 months' figures, Chrysler 55,000, while the U.K. sent a reduction of 25 per cent. and 20 per cent. of the market, Renault output small vans which put it more improved by 20.9 per cent. and its 2,000 behind the USSR in penetration was 32.7 per cent.; this category.

Anglo-Romanian co-operation
BY DAVID LASCELLES, EAST EUROPE CORRESPONDENT
BRITAIN and Romania have identified the most promising fields for trade and co-operation following the week-long visit to Britain by the Romanian Deputy Foreign Trade Minister Mr. Constantin Stancu who left of the week-end.

They include machine tools, nuclear energy equipment, offshore oil exploration, agriculture, civil aircraft, metallurgy and electronics. This list reflects Romania's ambitious economic plans, especially since it wants to establish its own production capacity in all these areas.

Mr. Stancu said that although mutual trade was balanced and growing, it was still small. And he reaffirmed his country's wish to increase exchanges two and a half times in the 1974-1980 period, though this was already behind schedule. Turnover last year reached \$100m. with the balance slightly in Romania's favour.

Mr. Stancu told the Financial Times that Romania is interested in establishing joint companies with British concerns for both production and marketing. He mentioned in particular aviation, nuclear energy and electronics.

Among current priorities he listed metallurgy, where he explained, Romania wanted to create 7m. tons worth of new steelmaking capacity by 1980. It also plans to develop its heavy machinery industry, but he warned that import curbs would only boom because he made during last week's talks on Britain's dispute with Romania over textiles. Mr. fibres and textile equipment.

Indian shirts curb urged
BY KEVIN DONE, INDUSTRIAL STAFF
THE INDIAN Government is coming under increasing pressure from EEC countries to limit its rapidly growing exports of craft shirts, which have flooded on to the European market in the last 12 months.

Particular concern has been expressed by shirt manufacturers in Britain, where Indian imports have massively exceeded the agreed quota level of 700,000 items, but the British Shirt Manufacturers' Federation claims that more than 7m. Indian shirts flooded on to the British market in the first nine months of 1976 alone.

The quota only applies to factory-made shirts. No limitations have been placed on "craft" shirts, but the BSMF says that India has been exploiting this loophole to boost its exports of machine-made products.

Andean Pact placates Bolivia
BY HUGH O'HAUGHNESSY
LA PAZ, Jan. 30. IN A MOVE to halt the drift of Bolivia out of the Andean Pact the country's four partners in the organisation—Venezuela, Colombia, Ecuador and Peru—have presented the Buenos Aires summit programme aimed at boosting Bolivia's industrial development, its competitiveness with the outside world and its exports.

The plan was announced by General Luis Barandiaran, the Pact's co-ordinator after meeting with the Bolivian side. General Barandiaran who is on a tour of the five countries of the pact in the wake of Chile's departure from the organisation has received blunt demands from the Bolivians that they should enjoy better facilities within the pact because of their relative economic weakness and the fact that they have benefited less than their partners in the fruits of the integration process.

The pact co-ordinator revealed, for instance, that Bolivia has been offered the right to build two classes of commercial vehicles in exclusivity in the region—the class up to 4½ tons and the class from four and a half tons to nine tons. General Barandiaran declared himself optimistic that the pact was emerging from the difficulties it had been going through since the decision of the Pinochet Government in 1974 to take issue with the pact's basic ideas about the model of economic development.

Indian Opposition rally peaceful

BY DAVID HOUSEGO
NEW DELHI, Jan. 30. THE FIRST Opposition rally to be held in India since Mrs. Indira Gandhi declared a state of emergency 19 months ago passed off peacefully here this afternoon.

Speaking before a crowd of about 50,000 in the Ramliya ground in central Delhi, Mr. Morarji Desai, a former Deputy Prime Minister and now head of the Janata (People's) coalition, formed to unite the non-Communist Opposition against Congress, said the election would decide whether India would be land of freedom or a nation of slaves.

Hundreds of police surrounded the ground, but there was no sign of interference. It was on the same spot that Mr. Jayaprakash Narayan, the veteran opponent of Mrs. Gandhi, issued his appeal in June 1975, the day before the declaration of the emergency—the armed forces and police to disobey illegal orders. Mr. Narayan was to-day presiding over another Opposition gathering at Patna, likely to be one of his rare public appearances in the election campaign now underway.

No advance publicity had been given to the Delhi meeting on the state-controlled radio and television, and few papers mentioned it. The unexpectedly large crowd was thus a boost to the Opposition, as it must have been disappointing to Mrs. Gandhi. The ban on political meetings was only lifted a few days ago.

Contracts

Siemens has received an order worth around DM40m from the Nigerian postal authorities to expand the telephone network. Fried Krupp subsidiary Polyplast has won an order from Societe de Ciments de l'Afrique de l'Ouest of Lome to build two rotary kiln plants for a new cement works at Tablighi in Togo. The company declined to value the order, but said the cement works is worth a total of around DM50m. J. M. Edissman has received an order from Spain for a computer-controlled tele exchange for Barcelona. The value of the order is about \$2.5m. The exchange is based on an Ericsson's new tele system AXB 20.

World Economic Indicators

Table with columns: Country, Dec. 76, Nov. 76, Oct. 76, Dec. 75, % change on year. Rows include U.S.A., U.K., Italy, Holland, France, W. Germany, Japan, Belgium.

Handwritten Arabic text at the bottom right of the page.

HOME NEWS

Banks will review cost of overdrafts

BY MICHAEL BLANDEN

A FURTHER reduction in the cost of overdrafts will be considered by the big banks this week, following the sharp 1 per cent fall to 12 per cent in the Bank of England's official minimum leading rate on Friday. The rate has now come down by 2 per cent from the peak 15 per cent established last year as part of the Government's measures to control the growth of the money supply. The banks last week reduced their base rates from the 14 per cent, set when MLR was at its peak to 12 per cent. This still leaves even their top-quality blue chip corporate customers paying 14 per cent, with other borrowers paying 15 to 18 per cent. The banks' decision this week will be largely influenced by the behaviour of rates in the short-term money markets, which in turn will be affected by the attitude of the authorities. The Bank of England made it known that last week's drop in MLR was bigger than it wanted since it is trying to moderate the downward trend in rates. The level of short-term market rates could be affected if the Bank decides to take further action to make its views felt. Against this, short-term rates which have been kept relatively high in the market as a result of continuing acute shortages of funds—should be helped to fall by the release of some £200m. of special deposits to the banking system, as announced last week.

Leads and lags

Mr. Denis Healey, the Chancellor, last week indicated that he was aware of the problems which could be raised by a renewed inflow of hot money into the U.K. He emphasised that Britain would not use inflows of volatile funds to finance the country's current account deficit. He added: "If it is necessary to take further action to discourage these inflows, we shall take it." At present it is not yet clear, as he pointed out, to what extent the recent demand for sterling reflects the movement of hot money. A considerable part of the flow may result simply from the unwinding of commercial leads and lags set up when sterling was weak last year, coupled with the reflow of funds following the exchange control measures, easing the use of sterling in third country trade finance. Moves on the diplomatic front to limit foreign holdings of sterling will be taken as a result of the agreement made at the last Basle meeting of central bankers. It is expected that the operational details of the safety net arrangement for the sterling balances should come up at the meeting in Basle this week, and Mr. Healey indicated that he hoped to be able to give further information on this about the middle of next month. Details of the foreign currency bonds which are to be offered to official holders of sterling would be given at a later stage, he said. As part of the exercise of running down the pound's international reserve role, the U.K. will be conducting discussions with the main official holders in an effort to market the proposed foreign currency bonds. At the same time, the opportunity will be taken to make the point that the U.K. would not welcome any renewed run-up in the level of balances either official or privately held.

Crown Agents report

IN OUR STORY in Saturday's issue about the Comptroller and Auditor General's recent report on the Crown Agents, the word "repeated" erroneously appeared in the fifth paragraph instead of the word "repeated." As a result the passage read as meaning that the Government's support for the Crown Agents had been withdrawn. This is not the case. The Government made it clear in a statement by Mrs. Judith Hart, then Minister for Overseas Development, in the House of Commons on December 18, 1974, that it stood behind the Crown Agents. As the Comptroller and Auditor General's report stated, the Government's undertaking to stand behind the Crown Agents was re-affirmed by Mrs. Hart's successor as Minister, Mr. Reg Prentice, in a statement to the House of Commons on October 14, 1975 and in a letter of August 25, 1976 to the chairman of the Crown Agents, which was published with the Agents' 1975 accounts. The Financial Times regrets any confusion caused by the error.

BSC to make oil pipes again

BY ROY HODSON

BRITISH Steel Corporation is to re-enter the oil and gas submarine pipeline market. It is a decision which has been deferred several times by the corporation during the last few years, in spite of Government pressure. The corporation expects to make up to 90,000 tonnes of offshore pipeline a year from 1979 in return for a relatively modest capital investment of £8.5m., which will be spent on improving a mill at Hartlepool. New equipment will enable the mill to make pipes up to 44 inches in diameter. They will meet the rigorous specifications observed by all the companies exploiting oil and gas fields in the North Sea. Large pipeline orders will be placed during the next four years for the gas collection grid which is planned to link several North Sea oilfields to order to bring ashore gas which is being produced with the oil. The corporation has been criticised often for not supplying submarine pipeline during the period of peak investment in North Sea equipment. In the early days of the oil boom, the corporation made some pipe. But it was forced out of the market when submarine pipeline specifications were tightened. Since then, there has been a running fight between the corporation and the Government departments responsible for North Sea supplies over the question of whether the corporation should get back into the submarine pipes business. Until now, the corporation's stance has been that a world-wide capacity to help to raise Britain's tool-making capacity to prevent orders by the State-owned British Leyland being placed overseas. The appeal comes from Mr. Jeff Rooker, MP for Birmingham, Perry Barr, who claims that Leyland is planning to place tool-making projects in Germany and Italy. Leyland Cars insisted last night that it was impossible to comment until a meeting had been held on February 7 with Mr. Gerry Eastwood, general secretary of the Association of Pattern Makers and Allied Craftsmen. According to Mr. Eastwood, Leyland is to sub-contract to Germany 14,000 hours of work to give a face-lift to the Jaguar XJ series. Demands on the toolroom are variable and it is customary in the motor industry for companies to look outside at times of peak output. With the planned rationalisation of its model range over the next decade Leyland Cars may find itself with capacity to meet only 75 per cent of its tool-making requirements. In such circumstances the company is likely to handle development of new models—such as the Mini replacement—in house, and put the more marginal work out to contract.

To Future Generations, Security



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NEB is urged to help boost tool-making

THE NATIONAL Enterprise Board is being urged to help raise Britain's tool-making capacity to prevent orders by the State-owned British Leyland being placed overseas.

The appeal comes from Mr. Jeff Rooker, MP for Birmingham, Perry Barr, who claims that Leyland is planning to place tool-making projects in Germany and Italy.

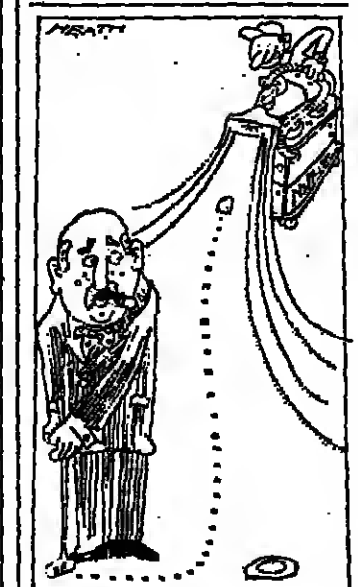
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In such circumstances the company is likely to handle development of new models—such as the Mini replacement—in house, and put the more marginal work out to contract.



Nilfisk - the World's largest manufacturer of industrial suction cleaners

Official reserves boosted

BY MICHAEL BLANDEN

THE U.K. official reserves figures for January, due to be published on Wednesday, will have received a substantial boost as a result of two major influences during the month.

One is the first drawing of \$1.15bn. made this month on the new \$3.9bn. loan facility agreed with the International Monetary Fund. The other is the substantial inflow of funds into the reserves in a period when the Bank of England has been meeting a steady demand for sterling and preventing the exchange rate from rising sharply.

These factors will be at least partly reflected in the figures, which should show a substantial rise in the reserves after the sharp drop last month when they reached their lowest level since the middle of 1971 at just over \$4.1bn.

Inflow

The fall of \$1bn. was more than accounted for by the repayment of \$1.545bn. of drawings on Central Bank standby credits, partly offset by public sector currency borrowings and by some inflow of funds last month.

Following the final approval of the IMF credit and the agreement on the safety net for sterling balances at Basle early this month, greater confidence in sterling, coupled with the relatively high level of interest rates in Britain, has attracted a further substantial inflow.

This could prove an embarrassment at a time when Britain is committed to seeking an orderly rundown of sterling's role as a reserve currency.

Healey and TUC start pay curb talks to-morrow

BY ROY ROGERS, LABOUR CORRESPONDENT

LEADING TUC negotiators and Mr. Denis Healey, the Chancellor of the Exchequer, this week start the task of trying to agree a third phase of wage restraint to follow the successful £2.50-£4 a week limit which expires at the end of July.

The TUC's six National Economic Development Office representatives, who include Mr. Len Murray, Mr. Jack Jones and Mr. Hugh Scanlon, will meet the Chancellor to-morrow for what is likely to be the first of a series of discussions on pay policy.

Little is expected from this preliminary meeting. The two sides may attempt to work out a timetable for subsequent talks. The Chancellor has expressed a desire to have an agreement with the TUC in time for his April Budget. The TUC has shown little enthusiasm for speedy negotiations.

The only thing which is reasonably clear is that any new policy will have to be more flexible than its predecessor, which have stored up many anomalies and much resentment.

The TUC, the CBI and the Government would all like to see some scope in the next phase for restoring at least some of the

pay differentials eroded under the past two years of more rigid wage controls. There is widespread support for allowing productivity schemes this time, provided they can be shown to be genuine. It will be the method and extent of the flexibility which will lead to the hardest bargaining. The Chancellor wants to use tax concessions to help those at the upper and lower ends of the pay ladder. He has also hinted that he wants to restore the balance between those who work and

set on companies' or industries' wage bills, leaving the allocation of the available money to negotiation. They also want freedom to negotiate genuine productivity deals, but with no additional money being paid until the schemes have been proved effective.

On the union side the issue is far less clear cut. Last September's annual TUC Congress set out a list of priorities as part of a move to a return to collective bargaining this year. This included provision for "satisfactory" pay differentials, genuine productivity agreements and phased consolidation of pay supplements into basic rates.

The TUC's key economic committee has yet to decide any specific demands. There is certain to be strong emphasis on firm Government commitments to curb rising unemployment and prices as part of any agreement on pay.

A special TUC congress or conference is likely to be convened. It remains to be seen if this will be an early meeting to assess member unions' feelings before talks reach a crucial stage, or a meeting to consider a proposed deal after it has been negotiated.

More Home News on Page 27

those who are unemployed. This suggests a move to link social security statements to earnings, rather than prices as at present. The CBI, which will not be at to-morrow's meeting, says the economy can sustain only a 6 per cent wage rise next time. It would like to see a wage norm of about 3 per cent and some flexibility. Employers generally seem to favour a percentage limit being negotiated.

Battle positions over Bullock

BY JOHN ELLIOTT, MANAGEMENT EDITOR

MINISTERS and representatives of both sides of industry will start preparing this week their detailed negotiating positions for the coming battle over legislation for the Bullock industrial democracy report.

As leaders of the Confederation of British Industry announce their detailed reactions to the report, Ministers will try through informal contacts to decide which of the Bullock proposals the TUC might be prepared to see abandoned in the interests of achieving general consent to legislation.

This probably will be a fairly slow process, although the Government is aiming to produce a White Paper on its proposals in June or, at the latest, July.

The fact that there is to be a White Paper at all, instead of just a Bill in the autumn, is something of a tactical victory for the opponents of the Bullock Report. It was decided by Ministers because it enables them to show that they intend to have full consultations. The White Paper, however, is to include some draft clauses for a Bill which would appear in the autumn.

Later, CBI leaders want to see the Prime Minister to discover how open he is to suggestions on changing the Bullock proposals. Within the Government these differences will be reflected by Mr. Albert Booth, Employment Secretary, who is thought broadly to favour the Bullock

approach and Mr. Edmund Dell, Trade Secretary, who is prepared to see the proposals watered down. Mr. Dell to-night ends a two-day trip to Germany where he has been studying the worker director system.

The crunch may come over whether or not non-unionists should have a continuing role in any scheme and also over the size of worker representation on Boards. The CBI will start by saying that there should not be any legislation forcing companies to introduce workers simply because their workers want it.

Beecham to spend £35m. on food output

Financial Times Reporter

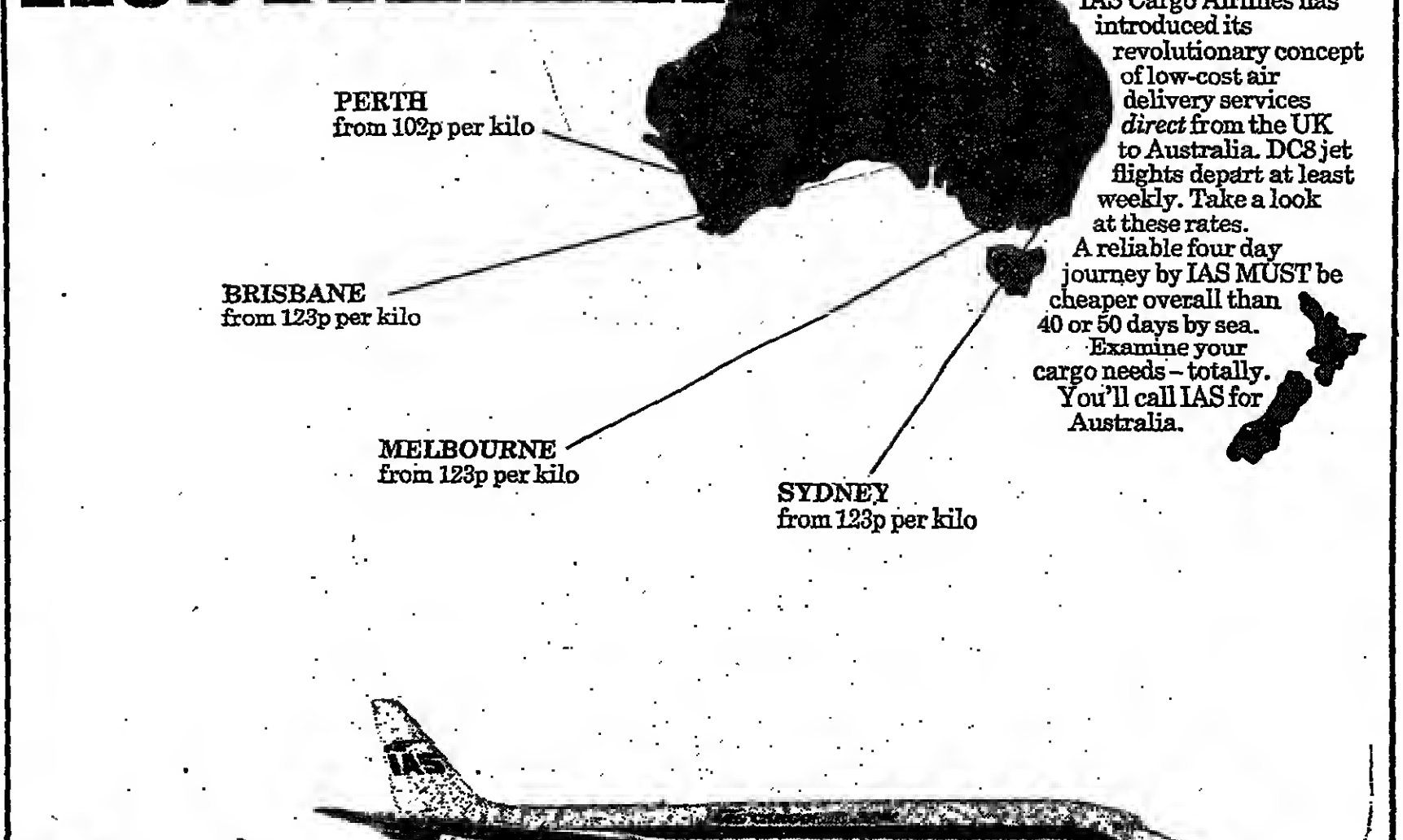
BEECHAM, the U.K. pharmaceuticals and consumer products group, is to spend £36m. in Britain over the next three years on modernising and raising the capacity of its food and drink production and distribution facilities.

The group, which includes Lascaris, Ribena, Corona, Hunis and Horlicks among its names, will be building new canning and bottling lines, a number of factory extensions, and new process and handling plant. It will be modernising its vehicle fleet and building three new depots.

Money will be spent at nearly all the Beecham food and drink factories, including those at Colford in Gloucestershire, Brentford, Newcastle-upon-Tyne, Tottenham, Lowestoft and Slough. Beecham subsidiary Coca-Cola Bottlers (Scotland and Northern) will be making a substantial investment at its plants in Birmingham, Glasgow and Pudsey, Yorkshire.

Beecham recently announced a £10m. investment programme, spread over three years, at its pharmaceutical research sites.

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The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

TEXTILES

Carpets in many more colours

MORE CARPET is made today by the tufting process than by any other system. Essentially a type of sewing, in it the hairpin-shaped tufts are thrown through a backing cloth to project on the other side of the material and so provide a pile surface.

In the two decades since the process came to Europe from the United States, there has been immense effort expended on seeking ways and means of introducing colour and design into an otherwise plain fabric. The use of space-dyed yarns has grown to significant proportions and a number of different processes are being used to make this type of yarn.

The objective in space dyeing is to have random segments of different colours along a length of yarn. Originally this was done by taking a hank or skein of yarn and dipping it so far into a bath of dyestuff and then turning it over and dipping the uncoloured section in a different or contrasting colour. The use of simple process but one that was hard to control.

Later came systems such as injecting a bobbin of yarn with needles loaded with different dyestuffs or even knitting the yarn into a tube printing the resultant cloth with stripes of colour, then backwinding this into a form that could be used in carpet-making.

Latest process is one that has been developed in France and which would appear to offer many advantages, not least of which are high production rates and reproducibility.

Called the Unispace system for space-dyeing, it has been developed by SACM, Mulhouse (British agents: B. L. Engineering, 11 Edward Street, Bradford BD4 7BE. Tel: 0274 34185), and will allow up to six colours to be applied to yarns from as little as 2cm. intervals up to over 5 metres.

Unispace is extremely simple in its arrangement. The yarn to be processed is mounted in a creel at the feed end of the machine. The ends from all these packages—say 12—are then pulled over and through a special "jet" distributor that deposits them spirally as a mass of yarn across a conveyor belt which runs through the machine. The ends of yarn then pass beneath a printing system which comprises a roller arrangement which is fed with colour from jets of dyestuffs. In this way the colour is padded through the yarn to give complete coverage.

From here the printed mass is taken through a steamer to fix the colour in the fibres of the yarn, after which it is washed to remove any traces of loose colour and then dried and finally

wound up on the type of package required for eventual use. Normally this will be a large capacity cone as used in the tufting trade, but it might well be a package for use in the knitting trade where there is a good outlet for space-dyed yarns, or even a soft supply cone for the furnishings or upholstery weaving trade.

The rate at which an end of yarn can be withdrawn and eventually taken-up can be anything up to some 900 metres/minute, but once on the conveyor it is completely relaxed and can develop bulk and, except for the belt on which it rests, it does not move. It is because of these two factors that the process is especially interesting as it allows very high quality yarn to be produced without tension and the precision of the colour application is not only easy to control, but also to reproduce.

One danger with a "random" process of this kind is that with colour appearing at intervals along a length of yarn, when it is converted into a finished product there may appear a form of patterning that makes it unacceptable. This is a combination of factors that combine to create a phasing of the irregularity. In the Unispace a simple punched card arrangement breaks the regularity of the lay-out of yarn and so prevents this fault.

POWER

Covering cable ends

NESS has announced more products in its heat-shrinkable mouldings range to meet the demand for effective methods of sealing power cables and plug assemblies.

They are end caps which can be shrunk down over the exposed ends of cables and plugs to prevent both the ingress of moisture and accidental damage during storage and transit.

Ness is also about to launch a range of heat-shrink cable harnesses which are of special interest to the electrical, instrumentation and computer industries. These make it possible to route and secure a group of cables inside a cabinet or switch gear assembly without having to install cable trunking or other conduit systems.

All the mouldings start to shrink at temperatures between 125 degrees and 130 degrees C. The shrinking can, therefore, be done with a hot air gun, naked flame or any other suitable equipment.

Heatshrink shape can be made to customers' own specification. Orford, Cheltenham, Glos. GL52 4RZ. Bishops Cleeve (024 267) 2241.

Protecting from surges

SIEMENS HAS a range of Zener diodes for protecting sensitive electronic components and equipment from spurious high-energy transients resulting from, for example, a lightning strike.

Called TAZ (Transient Absorption Zener) diodes, these components have a very fast "clamping" response (1 picosecond) to transients and a high surge handling capacity—each diode in the range can handle a transient of up to 100kV for periods up to 100ns and 1.5kV for up to 1ms.

Because of the level of protection they afford, TAZ diodes are particularly suitable for protecting integrated circuits and microprocessors from electromagnetic pulses, inductive surges and switching transients. Moreover, they are ideal as low-level secondary protection devices when used with surge protection diodes in telecommunications equipment, CATV and MATV aerial amplifiers.

Siemens, Great West House, Brentford, Middx. TW9 9DG. 01-568 9133.

INSTRUMENTS

Aggressive liquids

CORROSIVE fluids such as nitric, hydrochloric and sulphuric acids, abrasives such as drilling mud, cement and uranium leach pulp, and other difficult fluids such as oil-water emulsions, sea water and sewage, can be monitored and their concentration controlled with an electrodeless conductivity system available from Beckman-RIC, 54 Hunting Gate, Hitchin, Herts. SG4 0TS (0462 56671).

The system will measure the conductivity of any process stream where the nature of the material flow precludes the use of electrodes. The electrodeless cells available include dip, screw-in and flow-through models.

Designated RISS, the instrument has a linear servo-balanced readout. All common control modes are available as options including proportional current and voltage outputs, up to four independently-adjustable alarm contacts and a variety of case options.

PERIPHERALS

Intel adds to its add-ons

NEW ATTACHMENTS for memory and disc product lines, which will be available in Europe this year, have been brought out by Intel.

The company is to introduce a field-upgrade attachment to its

135AX memory, with new features allowing attachment either to an IBM 135 model 3 or a 138, and a field-upgrade attachment to its 145A Memory with similar capability for a 145 model 3 or a 148.

Intel can provide a solution for 138 or 145 users who have 138s or 148s on order but need extra memory before the new models are installed. The attachments can be transferred to the new processors and, says Intel, provide more flexibility than IBM permits on the 138 or 148. For example, on the 138, Intel gives the user a 768K option and on the 145 options for 1.25M, 1.5M and 1.75M.

Intel will also introduce its 7333 string switch attachment to 7330 Model 1, 10 and 11 disc drives. This will enable the drives to be attached to ISCs or to an IBM 3830 Model 2. The string switch attachment will be available in the second quarter of this year.

Intel, 1 Grosvenor Place, London, S.W.1. (01-235 2496).

POLLUTION

Harbour oil spills quickly removed

GROWTH OF the U.K.'s oil industry has been a major factor in a Dutch company's decision to exploit the market in this country for a new range of vessels specially designed to remove, quickly, spilled oil and debris from harbours and waterways.

The vessels have been designed to deal especially with the smaller spills and areas of contamination which may sometimes be ignored but are nevertheless a threat to the environment because they occur more frequently than the big spills which attract wide attention.

Designer of the vessels is Scheepswaerf Heermans and z'n b.v. of Hedeel, Holland. Each craft has been designed as a "fire engine" for constant standby so that it may be rushed immediately to the site of a spill. The vessels have also been devised to carry firefighting equipment and may thus have dual roles.

Three types of vessel are to be offered. Oil Purifier I is a catamaran with 3-metre wide hulls and a length of 42 metres. It is powered by two 350 bhp Mercedes engines and between the hulls has an electrically powered conveyor which carries solid matter and oil sludge from the surface of the water to a barge which can be located between the hulls.

Floating oil is sucked up by a 5 metres wide skimmer fitted behind the conveyor. Two further skimmers can be located on either side of the vessel to increase the cleaning area.

Oil Purifier II is a single hull craft equipped with two cranes at the stern and will lift it at 50 metres a minute. Also offered by Scheepswaerf Heermans is a 20-knot fire-fighting catamaran which is 12.7 metres long and has a foam cannon mounted on a "tower". It also has two bow-mounted water cannons and 200 metres of oil boom.

Another high-speed catamaran has been designed for use in the event of a major oil spill. It is 19 metres long and will supply 6, 13 or 24V. Mass supply can be either 110 or 230 V a.c.

The maker says lead acid cells can be charged to 85 to 90 per cent capacity in less than 6 hours, when the charge rate is reduced to give a full charge in 10 to 12 hours. Reverse discharge after main failure is said to be less than 200 microamps.

BRITISH Caledonian Airways has taken delivery of the first Smiths Industries production ground proximity warning system to be made in the U.K.

Smiths Industries manufactures the Sandstrand GPWS which is in service on a world wide basis with over 2,600 systems delivered to date. This is the first U.K.-manufactured production unit for BAC and the airline's entire fleet of BAC 111, Boeing 707s and DC-10-30s will be fitted with this system.

Smiths Industries on 01-452 3333.

DESIGNED TO function as a battery charger, or for parallel operation in standby systems, three transformer units are being marketed by F. W. O. Bauch, 49 Theobald Street, Boreham Wood, Herts. WD6 4RZ (01-953 0091).

Called the Sonnenschein Ultramic range, they are available as 2.5, 5 and 10 A models.

For harbours or river authorities requiring really fast action there is Oil Purifier III, a 12.7 metres long catamaran with a top speed of 20 knots. This is powered by two Volvo Penta 270 bhp engines and has a 1.4 metres skimmer between the hulls. Two 4-metre wide skimmers are also available for use from the vessel's sides.

Collected oil and water mixtures are pumped to separators one in each hull—and the separated oil is stored in large plastic bags which when filled can be put in the water and towed. It is also possible to pump recovered oil directly from the separators to tanker barges.

To complement and serve these three vessels the company is producing a 20-knot oil boom carrying catamaran. The idea is that it will race ahead of the surface cleaning vessels and encircle the oil patch and contain it until the latter arrive. It carries 600 metres of oil boom at the stern and will lay it at 50 metres a minute.

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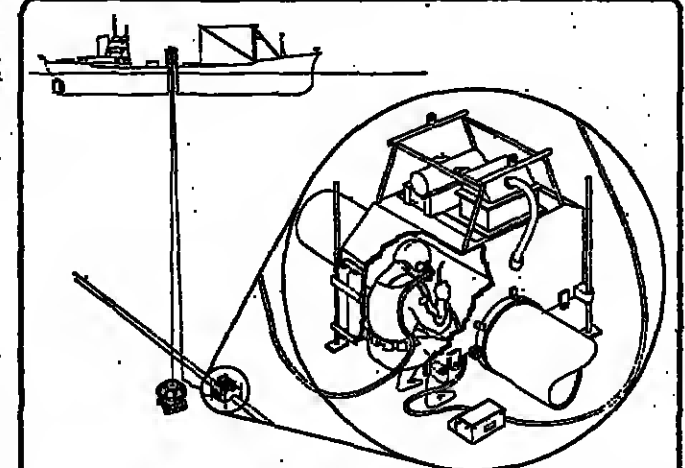
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NORTH SEA OIL AND GAS



In this artist's impression, a BOC SubOcean welder/diver team is operating 230 feet below the surface. The welder is carrying out a job in the dry (circled) to repair a North Sea pipeline in which a defect was discovered after a section had been laid. The DrivWeld underwater chamber is filled with an inert gas to displace the water. It is equipped with interior and exterior lighting, a welding fume extractor, and hydraulic tools. The job involved the welding of a patch into the 36 inch pipeline to the satisfaction of Lloyd's Register, acting for the Department of Energy. The patch was 14 inches long by 2½ inches wide by ½ inch thick. Apart from the chamber design, the company had to think out a rectifier to control welding conditions and to power, through a 500 foot umbilical, the underwater unit which semi-automatically feeds a flux cored wire through the welding gun. Repair procedure and the work itself were simulated before it was undertaken. In the illustration, one welder/diver is at work while a second is waiting in an adjacent diving bell. A third man of the team is kept at operational pressure on the deck of the diving support vessel, SOC on-01 746 2020.

SAFETY

Air watch equipment installed

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Smiths Industries on 01-452 3333.

ENERGY

Charger or power unit

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The maker says lead acid cells can be charged to 85 to 90 per cent capacity in less than 6 hours, when the charge rate is reduced to give a full charge in 10 to 12 hours. Reverse discharge after main failure is said to be less than 200 microamps.

METALWORKING

High speed electron beam welds

TO MEET the demand for middle price and capacity electron beam welding machines, equipment has been developed in the U.S.

A U.K. installed price of about £50,000. Accelerating voltage is 60kV, with 3kW beam power, giving a maximum welding thickness of ½ inch. Chamber sizes available range from an 8-inch to a 24-inch cube, with pump down to vacuum (5 x 10⁻⁶ in./Hg.) in under a minute.

Although the vacuum is lost each time the chamber is opened, jiggling and workpiece manipulation is designed to handle multiple components for each loading. Made by Electron Beam Welding Incorporated, California, the machine is marketed in Europe by Lindstar, 24 Long Street, Dursley, Gloucestershire (0453 48465).

One of the
soundest stories
you'll read this year
is now in print.

The 1976 Pioneer Annual Report.

It tells you about a company which began as a loudspeaker manufacturer in 1938. And is today one of the largest manufacturers in Japan of high-fidelity audio products. It tells you about product research and innovation, marketing flair and imagination. And dynamic results: from net sales and net income of \$209,728,000 and \$13,283,000, respectively, in 1972 to \$622,438,000 and \$47,872,000 in 1976. You can read about all this and more, by simply having the coupon below filled out and mailed to us, Pioneer. The audio company.

(The U.S. dollar amounts represent translation of Japanese yen for convenience only at the rate of ¥290 = US\$1.00.)

PIONEER
Pioneer Electronic Corporation
4-1, Meguro 1-chome, Meguro-ku, Tokyo 153, Japan

Pioneer Electronic Corporation
General Administration Section
4-1, Meguro 1-chome, Meguro-ku, Tokyo 153, Japan

Gentlemen:
I would like to have a copy of the 1976 Pioneer Annual Report.

Name:

Address:

are in the middle

of the Middle East

Raymond International have been in the construction business in the Middle East for nearly twenty years.

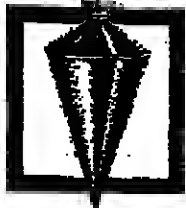
They helped to transform Kharg Island off Iran into a complete oil terminal. They did the piling for a hospital in Basra in Iraq. Raymond carried out test studies for widening the Suez Canal in Egypt. They started piling at Bandar Shahpur in the deserts of Iran in 1967. Now it's a flourishing town and a multi-million pound fertiliser factory complex. They've driven piles for water tanks in the U.A.E.

Currently Raymond are involved in a £35 million project to design and build an LPG pipeline support trestle for Aramco in Saudi Arabia. Piling and construction people are building up experience of work in the Middle East. Raymond already have it. It's at your disposal. Call or 579 9381 for details.

Raymond International (UK) Ltd.
Clifton House, 83-85 Uxbridge Road,
Ealing, London W5 8TA
Telephone: 01-579 9381 Telex: 836741



One of the
Raymond
International
Group of Companies



Building and Civil Engineering

Laing in group to build £28.7m. dam

VENEZUELAN contractor, Vincleer C.A., has joined with Laing S.A., Spanish member of the Laing group, to carry out a contract for the construction of a dam at Yacambu, Lara Province, Venezuela.

The country's Ministry of Works placed the contract with Vincleer after consideration of tenders from French, Spanish and Venezuelan contractors.

Operations at site will begin within the next three months and continue till 1981.

Rock fill and concrete construction will involve excavation of 21m. cubic metres and fill of 3m. cubic metres while concreting will involve 40,000 cubic metres.

Because the site is remote, a long access road will be built.

The job entailed securing each end of the old quay, driving a line of piles to form a new quay and back filling the entire area with concrete and track ballast.

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without loss of tensile strength.

HEX (South Wales) Ltd.
Castle Works, Cardiff.
Tel: 0222-33023
Telex: 49316
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Wimpey's £13½m. in joint venture

TWO PROJECTS in Dubai totalling more than £13½m. have gone to Al Futtaim Wimpey.

The largest is for the Ruler of Dubai and is related to the construction of the harbour complex at Jebel Ali.

This project alone is estimated to involve a total outlay of £11m.

The second contract is for the Dubai Municipality and covers the construction of the Umm Al Qiwain roads.

TROLOPE and Coils has won a £2½m. contract for the fourth and final stage of the rebuilding of Debenhams major department store in Oxford Street, London, W.1.

Complete demolition and rebuilding in stages started in 1967. The final stage won by competitive tender consists of 90,000 sq. ft. of sales and office areas, including a new boiler house and plant rooms.

Architects for the scheme are Syborn, Atkinson and Colborn.

Wysepower's export drive

FACED WITH a contracting home market, Wysepower is making a major effort in the export field.

The company, which makes a range of permanent and temporary power distribution, generating, heating and lighting equipment for construction sites and industrial applications, is currently concentrating on the Middle East.

Dealers have been appointed in Muscat, Dubai, the United Arab Emirates, Qatar, Bahrain, Kuwait and Southern Iran, and negotiations are in progress in Saudi Arabia.

Foam beads keep the heat in the house

SOLVING a number of problems associated with the two traditional methods of cavity wall insulation, foam and mineral fibre, is an insulation method and material which passed the tests of the Agreement Board.

The company which makes this claim, Glough Cooper and Co., has set up a subsidiary to market and install the insulant, initially to owners of homes built by Gough Cooper in the home counties.

GC Insulation will apply the system in the same way as its competitors, that is through holes drilled in the outer skin of the brickwork. But the material injected consists of expanded polystyrene beads and these can, when required, be removed from the cavity wall if, at some time in the future, major structural repairs have to be made.

GC Insulation also says that house owners who are having the job done can immediately

Stores and factory by Marshall

MARSHALL Construction Group of Elland, West Yorkshire, has three new contracts, valued at over £2.5m.

Two of the projects are retail stores for Yorkshire-based companies.

At Ripon, Marshall will build a £787,000 supermarket for William Morrison Supermarkets, and a £1m. Asda superstore and petrol station for Associated Dairies, at Rawtinstall, Lancashire. Both these projects are due for completion in September.

The third contract of £788,000 is for a new factory to be built at Northallerton for Earnshaw, manufacturers of surface coatings for the leather trade.

Largest is for the latter region and is worth £1½m. It provides for improvements in the Stoke-on-Trent, Telford and Shrewsbury areas.

East Midlands work is worth £800,000 and that in Wales £200,000.

COSTAIN Mining has begun work on the extension of Westfield open pit in Fife for the National Coal Board opencast executive. The value of the contract is in excess of £20m.

The new site, south of the existing Westfield workings, will yield approximately 3½m. tons of washed coal involving a total excavation of over 20m. cubic metres of material.

Coal from the new site will be blended with coal from the existing pit which has been operated by Costain Mining since 1961.

The combined sites will be in operation until the mid-1980s.

In restoring the new site to agricultural use material will be transported from the existing mine to the extension mine across the railway and public road which separates the sites.

Areas of land which cannot presently be used agriculturally due to poor drainage will also be improved.

Work in the Midlands to Fairclough

CIVIL engineering division of Leonard Fairclough is to carry out foundations and basement work for Clayton Aniline Company to the tune of £780,000, largest contract in a group

which will bring in a total of more than £1½m.

This division is working on a contract for the North West Water Authority, Pennine Division, for sewers and auxiliary works in the Roch Valley. This is a £580,000 job.

For the Greater Manchester Transport Executive, the company is to carry out £178,000 of expansion work at the Hyde bus station.

A number of smaller awards cover supplies of materials, bolted type tunnel segments and various other building components.

SOUTHWARK is pioneering an idea in rehabilitation contracts which should help many local authorities throughout the country when handling problems of improving older properties.

To be carried out over a period of 12 months, starting to-day, John Laing is to carry out this work on 112 flats and maisonettes in four blocks at the Purbrook Estate in London.

Laing staff will interview all tenants and help them select, on a schedule, those improvements they would like to see made to their homes.

A show flat was completed before Christmas so that people will know exactly what they are going for.

The scheme has been devised to cut administration and supervision costs and avoid the need to rehouse or find temporary accommodation during the work.

No site supervision is required, nor are professional consultants.

Operations at site will begin within the next three months and continue till 1981.

Rock fill and concrete construction will involve excavation of 21m. cubic metres and fill of 3m. cubic metres while concreting will involve 40,000 cubic metres.

Because the site is remote, a long access road will be built.

The job entailed securing each end of the old quay, driving a line of piles to form a new quay and back filling the entire area with concrete and track ballast.

The company's Ministry of Works placed the contract with Vincleer after consideration of tenders from French, Spanish and Venezuelan contractors.

Operations at site will begin within the next three months and continue till 1981.

Dew's £5m. worth of new work

BIGGEST of a series of contracts totalling approximately £5m. awarded to George Dew and Company is for £2.2m. and covers a Tug Jetty consisting of circular cofferdams constructed with straight web sheet steel piles at Sullom Voe. It has been placed by the Shetland Islands Council.

Construction of a central maintenance workshop at Barton power station, Manchester for the Central Electricity Generating Board is worth £1m.

Two £400,000 jobs include a three-storey administration block for Ames Croste Bahcock of Heywood. Total floor area is 33,000 square feet.

The second is the reconstruction of existing revetment together with new facing to the slope and new promenade works for the metropolitan borough of The Wirral.

The last group of jobs is for the Landscape Division, awarded contract totalling £330,000 at Wigan, Telford, Warrington and Grimsby.

Modernising to tenants' choices

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Rebuilding a quay at Newhaven

DUE TO the failure of a section of the west quay at Newhaven, on three sides of the block as well as site clearances and alterations in the existing technical block.

The company is also to build a new concrete quay for British Rail Southern Region at a cost approaching £300,000.

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Studio and factories

TOTAL value of a number of contracts secured by Epsley-Tras Group recently is £3m., largest of which is for a complete colour television production studio for the BBC in Cardiff.

This work is put at £1.9m. and includes, besides the production unit, ancillary accommodation on three sides of the block as well as site clearances and alterations in the existing technical block.

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Mission in from Kuwait

AN INWARD mission from Kuwait is being organised and sponsored by the Building Centre and the British Overseas Trade Board from February 21/22.

Because of the importance of the building sector in Kuwait at this moment, and for the next 10-15 years, the Embassy there is anxious to make the best use of this opportunity.

The programme will be based on the pattern of an informal conference at which the visitors and other speakers will provide background information about the Kuwait market and the construction industry; each firm is allowed one hour during the main part of the mission's programme for an exclusive meeting with the visitors and an informal reception is given later in the week.

More from the Building Centre, 25, Store Street, London WC1E 7ET. 01-638 1197.

Blakes Homes of Didcot plan to build over 1,000 more homes with electric heating. For all the right reasons.



"Electricaire warm-air heating is quick and clean, and we were pleasantly surprised at the reasonable running cost" Mr. and Mrs. J. Harrison, Brackley, Northants.



"This is our second Blakes house with Electricaire heating—we sold the first one easily" Mr. and Mrs. D. Tranter, Brackley, Northants.



"We have no difficulty in selling and re-selling Blakes all-electric homes" Mr. M. T. Nossiter, Berry Bros. & Legge Ltd., Estate Agents, Brackley.



"Electric heating helps us to offer comfortable, easily run, readily saleable homes" Mr. O. Williams, Deputy Chairman, N. Blake Ltd., Didcot, Oxon.

They go by results at Blakes Homes. At the Roman Way Estate, Brackley, and many other Blakes developments, satisfied customers and local estate agents have proved time and again that electric heating is one of many attractive selling features. "We have over ten years successful experience of selling homes with Electricaire and other electric heating systems, and over 1,000 new homes are scheduled for development" says Mr O. Williams, Blakes deputy chairman. "Electric heating means easy installation, low capital cost and is virtually trouble-free in operation. We always build to higher insulation standards than current Building

Regulations, and we find electric heating is the most efficient way to match the heat requirement of well-insulated houses." It's good business to build with electric heating plus good insulation. And we can prove it. Get the up-to-date facts from your Electricity Board, or send for the 'Build Electric' package from David West, The Electricity Council, 30 Millbank, London SW1P 4RD.

It's good business to build with electric heating.

BUILDELECTRIC

The Electricity Council, England and Wales

IN BRIEF

- Andrews-Weatherfoil, part of the Powell Duffryn Group, has been awarded £1m. contract for heating, ventilation, mechanical and electrical services for a new breakfast cereals factory under construction at Wrexham. Clwyd, for the Kellogg Company. Work is due for completion in September.
- Streeter of Aberdeen has been awarded contract 2 of the Sullom Voe water supply scheme. It has an approximate value of £2.1m. and is for the Shetland Islands Council.
- Brims and Co. has contracts worth £1½m. to build two office blocks for the St. Martins Group of Property Companies. At Middlesbrough they are to build a six storey office block with basement to form underground car park and service buildings. In Newcastle the construction of a five storey block is in progress and completion is expected at the end of this year.
- Cockledge Engineering Company of Ipswich, which recently announced £2m. worth of orders, has just received a contract worth £3,750,000. Much of the work—to provide diffusion towers and ancillary plant—is for the British Sugar Corporation's expansion programme.
- Sutton Housing Trust has awarded a contract worth more than £2m. to Hardstock, a member of the Babcock and Wilcox Group, to build 322 houses on a site at Long Lane, Bolton, Lancs. The work will take nearly two years to complete.
- Distributor for Babcock Arcomet self-erecting cranes in the Arab Emirates and Muscat, Boodal Trading Company, Abu Dhabi, has ordered ten VR28-1 mobile tower cranes for urgent delivery to the Middle East. The order has gone to tower crane and excavator department of Babcock and Wilcox, Rochester, Kent.
- Two contracts with a total of just under £1m. have been awarded to Fairclough at Stourton, near Leeds. Fairclough Building has been given a £900,000 contract by D. F. Steels to build the superstructure on new stockholding facility. For the city of Salford housing renewal committee, Fairclough is to build 74 flats on three sites in Long Street, Sinton, under a £590,000 contract.
- Integration Crampian, Aberdeen has, since the turn of the year secured the main contracts for a service base at Dyce for B.J. Service valued at £230,000; a primary school at Westhill for the Grampian Regional Council totalling £180,000; pre-war council house modernisations from Aberdeen District Council costing £140,000; and an extension to Grampian Health Board offices at Queens Terrace, Aberdeen, valued at £80,000.

سكدا من الاصل

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Table listing trade fairs and exhibitions with columns for Date, Title, and Venue.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table listing overseas trade fairs and exhibitions with columns for Current, Date, Title, and Venue.

BUSINESS AND MANAGEMENT CONFERENCES

Table listing business and management conferences with columns for Date, Title, and Venue.

LABOUR NEWS

1,100 Journalists called out

THE National Union of Journalists has decided to call out 1,100 journalists, about one in 25 of its total membership...

New drivers' threat to Leyland

LEYLAND CARS has a new threat to its delivery drivers in the form of a new union...

Miners seek probe

The National Union of Mineworkers has asked the Coal Board to investigate possible irregularities in purchasing...

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week...

Table of financial diary entries including company meetings, interest payments, and dividends.

Entertainment Guide

OPERA & BALLET

ENGLISH NATIONAL OPERA... COVENT GARDEN... ROYAL OPERA HOUSE...

THEATRES

ADRIAN PHOENIX... THE MURDERERS... THE WITCHER... THE WITCHER... THE WITCHER...

CINEMAS

ABC 1 & 2... THE WITCHER... THE WITCHER... THE WITCHER...

This week in Parliament

COMMONS... TO-MORROW... WEDNESDAY... THURSDAY... FRIDAY... COMMONS... Private members bills.

A guide to the Bullock Report £1.00. A practical guide which clearly lays out the recommendations of the committee...

LONDON CHARTERED ACCOUNTANTS Courses For Financial Management. Four of the whole day courses to be held by the London & District Society of Chartered Accountants...

WEEK'S FINANCIAL DIARY (continued). Table of financial diary entries including company meetings, interest payments, and dividends.

ART GALLERIES. AGNEW GALLERIES... LIVING BRITISH ARTIST LANDSCAPES... LORD MAYOR'S ART AWARDS EXHIBITION...

CLUBS. EVE 189, Regent Street, 734 0557. A is for Art... THE WITCHER... THE WITCHER...

ENGLISH LANGUAGE SCHOOL RESIDENTIAL COURSES for overseas beginners. Details: Middleton Lodge, Benbury 52295 (Oxfordshire). Guildford College of Technology LANGUAGES for BUSINESSMEN...

The Executive's and Office World

EDITED BY JOHN ELLIOTT

MANAGEMENT TRAINING

BY SUE CAMERON

CIVIL SERVICE

BY NICHOLAS LESLIE

State agency attacks standards

THE GOVERNMENT'S Training Services Agency has just completed the final draft of a discussion document on management development which amounts to an indictment of the way that British executives are trained.

It says that managers are often sent on training courses which are irrelevant to the jobs they do and it claims that some companies actually try to prevent their executives from developing further skills for fear they will start seeking promotion elsewhere.

The document stresses that managers can become far more effective if they are given the right training opportunities and it goes on to ask whether the Training Services Agency itself should play a more significant role in improving management development programmes in the U.K.

The TSA already spends about £5m. a year on management education through the Training Opportunities Scheme, programmes and through grants to the industrial training boards. But in its discussion document or not the TSA should have a more influential voice in management development has that current management raised suspicions that the development practices in the

U.K. are often thoroughly inadequate. It is true that the paper begins by stating that its aim is to "raise questions about management development rather than urge a particular view of it" and to "suggest some changes that seem desirable rather than provide a comprehensive view of the present state of play." Yet the body of the document makes explicit the discussion document is to carve out a larger empire for itself. These suspicions seem to be based on the fact that the initial draft of the document is more explicit in proposing an extension of the TSA's activities in the management development field. Both drafts have been circulated to interested bodies but any suggestion that they have aroused widespread opposition among industrialists

The document adds that training programmes should aim at improving managerial effectiveness for the present rather than for the future. It stresses the need "to integrate learning with the job of managing" and points out that training is most successful when it is geared to an executive's practical, day-to-day problems. It suggests that managers within one organisation should keep them in the positions which suit the organisation.

The document says that perhaps managers in Britain should be given educational leave as they are on the Continent. It also suggests that the idea of insisting that all managers have a basic paper qualification to practise should be looked at more closely. Under this scheme no executive would be allowed to take charge of more than about 50 people or an annual turnover of roughly £500,000 without a certificate.

Although interested bodies have not yet had time to consider the TSA's discussion document it is thought that some managers, industrialists and employers may be critical of the approach taken by the agency. This is because the general drift of the document is that improvements in management development should come from the top—from the TSA itself and from the industrial training boards. It is felt in some circles that this is impractical and that any changes must be brought about largely from below—a view which is particularly relevant since 47 per cent of employees in the U.K. work for organisations which do not come under the scope of statutory training boards. It is pointed out that companies are only likely to come under the influence of the TSA or the industrial training boards if they are already dissatisfied with their management development programmes and they decide to seek advice. All too often the organisations which ask for help and guidance are the ones who need it least.

Yet although the TSA's discussion document may be altogether too bland in suggesting ways of improving current management development techniques, it raises a number of highly pertinent points. Perhaps the chief of these is the paper's insistence on managerial self-reliance as far as training and career expansion are concerned. Ultimately the TSA's own role in shaping and directing management development practice will depend entirely on the willingness of individual companies and of individual training boards to listen to what the agency has to say.

A discussion document prepared by the Government's Training Services Agency claims management training and development in the U.K. is frequently haphazard and inadequate. But the agency's suggested remedies could prove to be controversial.

reference to "the lack of success of much management development."

The agency says that its paper is "intended to stimulate discussion about what the TSA should be doing in the area of management development." It asks managers, employers, trade unionists and educationists to comment on its analysis of the present situation, on the possible courses of action it has suggested and on the position of the TSA itself. It adds that "the TSA has no wish to usurp the role of other bodies in the field of management development and recognises that it may have a modest role to play."

Yet the question of whether or not the TSA should have a more influential voice in management development has that current management raised suspicions that the development practices in the agency's real aim in compiling

would appear to be unfounded—the CBI, the British Institute of Management and the Association of Teachers of Management all say they have not yet had time to discuss the TSA papers or gauge reaction from their members.

If the TSA is correct in its analysis of the present state of management training then there is certainly good cause for taking a fresh look at current trends. The discussion document claims that "the biggest problems in management development lie in managers either not finding the knowledge they acquire on courses relevant to their job or in their not being able to apply that knowledge to the work situation." The paper says that all managers should be given an understanding of management techniques and they should also acquire the technical knowledge relevant to their particular industries.

The agency says that those responsible for sending executives on courses must be certain that the training provided will be of some use. It insists that managers must have a clear objective when they attend a business course and they must be keen to go on it. It also says that senior executives should vet courses carefully before sending junior managers on them and they should not use training opportunities to change the personalities of their subordinates. The TSA adds that once a manager has finished a course his superiors should give him full support in putting "his newly learned theory into practice."

The TSA says one reason why managers should take the initiative in training themselves and developing their own careers is that their companies may attempt to hold them back. It suggests that companies sometimes try to inhibit the development of their managers because the necessary promotion opportunities are not available within the organisation.

"Some organisations are afraid that training will improve performance, develop ambition and eventually lead to managers leaving," the paper says. "As a result of this fear many sophisticated management development schemes control rather than progress development. Managers are developed not to make full use of their potential but only to remedy obvious performance deficiencies and to promote or

Consultancy

The document says role consultancy is one technique which could be used to help managers to develop themselves. Managers and consultants would hold regular meetings at which the executive's role within his company could be discussed. The role consultancy approach is based on the assumption that there are often significant differences between what a manager is supposed to do, his experience of what actually happens and his role as seen by others in his company.

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Safety Act explained

A LEAFLET giving guidance on the Employers' Liability (Compulsory Insurance) Act 1969 has been up-dated in the light of two changes under the Act and has been published by the Health and Safety Executive. The changes relate to the transfer of responsibility for administering the Act from the Department of Employment to the Health and Safety Executive and to the inclusion of the Act's scope to employment on offshore installations.

The guide is available from the General Enquiry Point, Health and Safety Executive, Baynards House, 1, Chestow Place, London W2 4TF, or from local Health and Safety Executive offices or from Department of Employment offices.

Business courses

European-American Commodities Conference, London Hilton, February 22-23. Fee: £250. Details from Conference Associates, 34, Stamford Road, London, W.8.

Finance for Engineers and Technologists, Rembrandt Hotel, London, February 8-9. Fee: £90 plus VAT. Details from ASM, 5, The Parade, St. Johns Hill, London SW11 1TG.

Organisation of Management—one-day tutorials by Lord Wilfred Brown, Birmingham Metropole, February 8, and Midland Hotel, Manchester, March 14. Fee: £45, plus VAT. Further details from European Study Conference, Kirby House, 31, High Street East, Uppingham, Rutland, Leics.

Call for closer contact with private sector



Sir Douglas Allen

A GREATER cross-fertilisation of management ideas between the civil service and industry and a better understanding by managers in both sectors of each other's jobs is called for today by Sir Douglas Allen, head of the Home Civil Service and Permanent Secretary, Civil Service Department.

In the latest issue of the British Institute of Management's review and digest, Sir Douglas maintains that such greater understanding "is very much in the national interest."

Putting his case, Sir Douglas points to the similarities in the conditions in which managers in the civil service and private sector have to operate, but suggests also that there should be a greater awareness of the particular problems civil service managers have to face.

He says that no government can afford to determine objectives without attempting to assess the resource costs involved. At the same time, some use of staff may be ruled out on political grounds.

"In a sense, therefore, all civil service managers are operating in a politically sensitive environment and some of the recent criticism of public servants in general, and of civil servants in particular, fails to recognise the constraints which the environment in which they work imposes on the individual manager who is trying to do his job well."

Sir Douglas points out that while interest often centres on the relative roles of civil servants and Ministers in major decisions, there is less public interest in the way executive actions of Government are carried out in such areas as levying taxation or paying out social security benefits—work on which the bulk of the country's 520,000 non-industrial civil servants are employed.

All managers have to be able to cope with sudden change, says Sir Douglas, and for civil service managers "abrupt changes in policy are commonplace." Accepting that it is a "not ignoble desire" of politicians in authority to shape the country's future in accordance with their view of a better society, changes of government can lead to carefully prepared

stability," he says. Expanding on the theme of profitability as a test of management decision, Sir Douglas points out that in the commercial market place management can assess the best obtainable trade-off between quality and price, but Government Departments are not able to pick and choose either their products or their markets.

On the subject of efficient use of resources, Sir Douglas remarks that in some areas, such as social security offices and job centres, the public can see civil servants engaged in work which is capable of some evaluation in terms both of volume and quality of output and the costs involved. Increasing attention has been given to developing effective managerial systems to monitor the efficiency of units doing this type of work and a good deal of progress has been made. But there are other areas where it is difficult to quantify output because decisions have to be based on subjective judgments.

Inability to measure output has an undesirable consequence in that, in public debate, those who frequently treat the amount spent on it as synonymous with output. Taken in extremes this encourages waste and underrates what a good manager can achieve in maximising output so that staff is used more effectively. In the private sector a manager can more readily be given discretion to delegate authority, but the framework of relationships in the civil service reduces the scope for economy by delegation.

But Sir Douglas feels that even when full allowance is given to the "very different environments" in which civil service and private sector managers operate, they "have a very great deal in common." The essentials of the management task are the same and cross-fertilisation of ideas should take place. Better understanding of each other's jobs in the national interest and for this reason increased inter-change between the two sectors "are very much to be encouraged."

First National Conference*

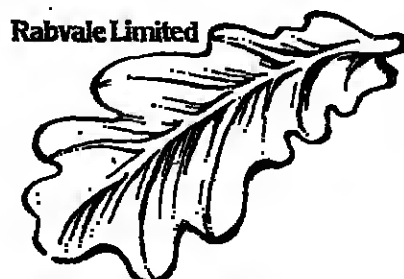
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or should telephone Mrs. Abrines at 01 286 8645.

Condensed Statement of Condition The Fuji Bank, Ltd.

Condensed Balance Sheet		(As of September 30, 1976)	
ASSETS			
Cash and Due from Banks	¥ 1,000,000	(\$ 1,000)	
Call Loans	902,592,028	(3,139,507)	
Securities	35,426,420	(123,243)	
Loans and Bills Discounted	1,289,106,447	(4,484,628)	
Foreign Exchanges	5,895,129,635	(20,503,366)	
Domestic Exchange Settlement a/c, Dr.	836,349,348	(2,909,547)	
Bank Premises and Real Estate	160,036,873	(556,747)	
Other Assets	141,262,303	(491,433)	
Customer's Liabilities for Acceptances and Guarantees	48,337,748	(168,160)	
TOTAL	10,549,522,722	(36,700,375)	
LIABILITIES			
Deposits	¥ 7,199,215,862	(\$ 25,045,106)	
Call Money	387,493,575	(1,348,038)	
Borrowed Money	880,727,600	(3,063,933)	
Foreign Exchanges	38,670,492	(134,529)	
Domestic Exchange Settlement a/c, Cr.	127,339,346	(442,997)	
Accrued Expenses	155,439,416	(539,709)	
Unearned Income	53,257,603	(183,276)	
Other Liabilities	41,344,795	(141,910)	
Reserve for Possible Loan Losses	77,840,895	(270,781)	
Reserve for Retirement Allowances	38,726,138	(134,241)	
Other Reserves	29,527,363	(102,221)	
Acceptances and Guarantees	1,241,381,990	(4,318,254)	
Capital (Paid-up)	66,000,000	(229,053)	
Legal Reserves	21,537,624	(74,927)	
Other Surplus	791,397,728	(2,665,847)	
(Profit for the Term)	(13,127,869)	(45,670)	
TOTAL	10,549,522,722	(36,700,375)	

Profit and Loss Account		(April 1, 1976—September 30, 1976)	
INCOME			
Interest on Loans & Discounts	¥ 232,369,492	(\$ 808,382)	
Interest & Dividends on Securities	44,696,375	(155,493)	
Fees & Commissions	12,649,718	(44,007)	
Other Income	35,186,119	(122,408)	
Transfer from Reserves	782,703	(2,723)	
GROSS INCOME	325,684,407	(1,133,012)	
EXPENSES			
Interest on Deposits	¥ 168,986,715	(\$ 587,882)	
Interest on Borrowings & Redcounts	40,141,412	(139,647)	
General & Administrative Expenses	72,440,224	(252,010)	
Other Expenses	13,340,839	(46,411)	
Transfer to Reserves	2,715,033	(9,445)	
GROSS EXPENSES	297,624,223	(1,035,395)	
Profit for the Term before Tax	¥ 28,060,184	(\$ 97,618)	
Provision for Taxes on Income	14,932,315	(51,948)	
Profit for the Term after Tax	13,127,869	(45,670)	
Balances Brought Forward from Previous Term	3,369,859	(11,723)	
Undivided Profit at the End of the Term	16,497,728	(57,393)	

Note: U.S. Dollar equivalents are made at the rate of ¥267.45 per U.S.\$1, prevailing on September 30, 1976.

Japan's Leading Commercial Bank
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Tokyo, Japan

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Public spending under control - for the time being

BY SAMUEL BRITTON

A warning on energy

THE ENERGY shortage which has crippled parts of the U.S. may bring home to the Government and the public at large the force of the argument which the oil companies and others have been putting forward for the past three years.

Imported oil Because of the importance of the U.S. as an energy consumer and especially its growing dependence on imported oil, the outcome of this review will be of vital concern for the rest of the world.

The OECD estimates that, on the assumption of existing policies and a GDP growth averaging 4.4 per cent a year between 1974 and 1980 and 3.5 per cent between 1980 and 1985, net oil imports into the U.S. will rise from 6m. barrels a day in 1974 to 10m. barrels a day in 1985.

Glimmer of hope for Cyprus

FOR THE first time in many months prospects for progress towards a Cyprus settlement are beginning to look a little brighter. Last week's meeting between President Makarios and Mr. Rauf Denktaş, the Turkish Cypriot leader, their first face-to-face encounter in 14 years, was an encouraging development in itself.

Aegean dispute The signs of movement in Cyprus come against a background of a general thaw in Greek-Turkish relations, which has fortunately so far not been overshadowed by the recent leaking of the report by the European Human Rights Commission alleging serious atrocities by the Turkish Army in Cyprus.

EEC role Washington could play a key role in persuading Turkey to withdraw her troops or negotiate some other military solution acceptable to the Greek Cypriots. At the same time, EEC Foreign Ministers, who meet in London to-day, must assess whether or not there is any useful role the Community can play.

THE PUBLIC Expenditure White Paper published at the end of last week does not announce any new decisions. It is, nevertheless, an important document. For it puts into a coherent framework the various emergency packages of public spending introduced in 1976 and allows us to see the final results.

Public spending was "cut" three times last year. There were the decisions in the Public Expenditure White Paper of February 1976 embodying the Government's original strategy before it was knocked off course. There were the crisis package of July 22, and the further package of December 15 in relation to the IMF standby.

Sale of BP shares It is as always possible to quibble with the figures. They are in constant "1976 survey prices" which means in this funny world "autumn 1975."

Nevertheless, public spending is expected to fall next year, even if the BP item is excluded, and no amount of quibbling can take away the fact that there has been a very marked change of trend. Moreover, Public Expenditure White Papers normally showed a profile like a hump-backed bridge.

This time the bump is very clearly in the past—as already mentioned, it was reached in 1974-75; and the reduction in public spending growth has already begun. Moreover, actual spending is now well in line with estimates. Expenditure on programmes in 1975-76 was actually a little less than esti-

mates, while that year was in progress. For 1976-77, the addition is more than covered by the contingency reserve. Thus, for the time being, there are no going to be any more sums such as the "missing £5bn." which caused such a stir in relation to 1974-75—the year dominated by two general elections.

But not all transfer payments are like social security benefits. Rent subsidies or investment grants cannot be spent according to the discretion of the recipient; and all transfer payments are in any case a burden on the taxpayer. The present Treasury definition, which includes transfer payments, shows public spending at a peak of 46 per cent in 1975-76. This is expressed as a proportion of the GDP at market prices.

On the official definition in use until a few months ago, the proportion would have been nearly 60 per cent. Two main classes of items have been removed from public expenditure. One is investment by the nationalised industries from their own resources; or now Treasury borrowing. The other is that portion of public sector debt interest—£4.7bn. in the current financial year—which is covered by the prices charged by nationalised industries, local

authority rents, public sector receipts from loans to the private sector, and similar items. Although this excluded transfer payments, it did cover that part of the national product whose use was determined by collective decisions. Transfer payments such as pensions or family allowances were spent by recipients at their own discretion and could not reasonably be regarded as public consumption.

Does this mean that everything in the public expenditure garden is lovely? Of course not. Some of the nasty thistles will emerge later in February when Part 2 of the White Paper is published showing individual spending programmes. All the difficult political hurdles have been dodged in dealing with these. Economies have been concentrated on public investment programmes. Savings in public

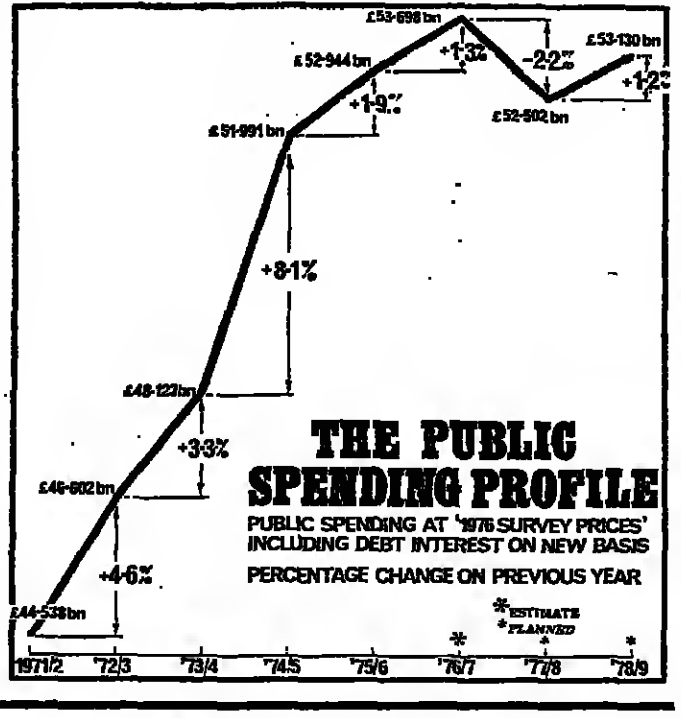


Table with 3 columns: Year, At market prices, At factor cost. Rows include At market prices, At factor cost, Old Treasury definition, Direct expenditure on goods and services at market prices, As above at factor cost.



Mr. Leo Piltatzky: political decisions will not be passed off as administrative or forecasting mistakes.

sector manpower have been spending departments could rise much more modest and have again not merely to claim their not even gone to the limits of what might be possible by limit- ing recruitment without any redundancies. The hurdle here is of course the local authori- ties. But at a national level emerging from under their the absurdities of housing stones with the recovery of the pound, and who still regard the grants and subsidies to com- panies is regarded as the crown- ing glory of the Industrial Strategy rather than as a com- bination of the worst aspects of capitalism with the worst aspects of socialism—a system which deserves to be known as State Capitalism.

There is however likely to be a shock even for those who believe that economic policy is simply a matter of global aggregates. Last year's White Paper gave provisional public spending targets up to 1980-81. During the exhausting discussions on the recent public spending cuts everybody concerned was too exhausted and too uncertain to make any decisions for the final two years. Thus if the old spending programmes are published in unadjusted form, they could show a sharp rise in 1979-80— estimates are remotely on the horizon. There are dozens of sharper because of the cuts in ways of getting round the supposed technical problems of publishing revenue and expenditure side by side, without committing future Chancellors in the real lack of the other does after a crisis is over, caused by the obsessive PSBR, there are still many balance of payments orient- ation- official advisers who in their tation of British policy, the heart of hearts believe that pressures to restrain public revenue is only one of the con- straining could evaporate with strains on expenditure—and astonishing speed; and the often not the most important.

Getting round The public is being deprived quite unnecessarily of a defence against these deprivations because of the absence of revenue estimates in the Public Expenditure White Papers; and there is still no sign that such a sharp rise in 1979-80— estimates are remotely on the horizon. There are dozens of sharper because of the cuts in ways of getting round the supposed technical problems of publishing revenue and expenditure side by side, without committing future Chancellors in the real lack of the other does after a crisis is over, caused by the obsessive PSBR, there are still many balance of payments orient- ation- official advisers who in their tation of British policy, the heart of hearts believe that pressures to restrain public revenue is only one of the con- straining could evaporate with strains on expenditure—and astonishing speed; and the often not the most important.

MEN AND MATTERS

Bilderberg lives on Last year's scheduled meeting of the Bilderberg Conference, an informal meeting of top bankers, businessmen and politicians from both sides of the Atlantic, was one of the indirect casualties of the Lockheed bribes scandal. It was quietly called off just before the storm broke around the head of Holland's Prince Bernhard, the man who started up the conference idea in 1954 and who had chaired all the meetings since. Last October, however, the Prince resigned.

Off-side A bizarre footnote to the history of Italian labour relations was written last week while Italy's employers confederation and the trade unions haggled over measures to reduce the country's labour costs. On Thursday, the day after employers and unions announced a compromise settlement, 1,800 workers at the Montedison petrochemical plant of Porto Marghera, across the lagoon from Venice, went on strike.

But the Bilderberg Conference idea lives on. Its next session will be held in April at Torquay and, according to conference organisers in the Hague, Lord Home has agreed to take the chair at this year's meeting to discuss Europe's mixed economy system and American uncertainty as to how to interpret it.

Lord Home is essentially a stop-gap however and a new permanent chairman is still being sought. Around 90 participants from 15 or 16 countries are expected at this year's meeting, and all will be bound by the rule that no one will be quoted. This rule, calculated to facilitate the greatest degree of frankness, together with the high level nature of the participants, has raised eyebrows in the past. But one of the Dutch participants this year is expected to be the Socialist Finance Minister Willem Duisenberg and fellow members of his party have also demanded that a full account of the discussions is made available. An especially large contingent

of U.K. participants is expected at this year's home ground fixture with Margaret Thatcher and Denis Healey expected to attend, alongside a strong field from British industry, the media and Academia.

system. A former player to a brass band, Vercoe insists he is a musician, not a scientist, but he graduated in mathematics from Auckland University and that allowed him to double as a statistician when musical rewards were poor. Then he became Composer in Residence for the Seattle area with a Ford Foundation grant before taking up music 360 in 1969.

Since then there has been increasing sophistication in the way computers are used to build up music in a way similar to the system of dots that make up newspaper pictures. One advantage he says, is that the composer can be responsible for both conception and execution; and incredibly complex note arrangements can be produced which no human instrumentalists could attempt.

Last autumn he chaired the first world conference on computer music in Boston and 1,300 people attended a computer-based concert there. Vercoe claims only "arch conservatives" dismiss his music making. His computers can mimic all manner of musical instruments. What about simulating the human voice? Vercoe says that the old robot-like sounds are out. Computer voices "won't fool anybody yet," he says, but they are at the stage of being a "useful and unembarrassing" aid and should soon be up with the real thing.

Thoughtful Sign in a Hampshire cafe: "If you wish to stub out your cigarettes on your plate, we will be happy to serve your food in an ashtray."

Bank of New South Wales logo and name.

"President of the Bank of New South Wales, Sir John Cadwallader informed proprietors at the Ordinary General Meeting, held today in Sydney that the Chief General Manager, Sir Robert Norman, will retire in April after forty-nine years of service. Sir John said that during the twelve and a half years of Sir Robert's dynamic leadership as Chief Executive Officer, there had been a "remarkable expansion" in the Bank's growth and range of operations. Sir John added that Sir Robert has been a Director of the Bank for the past six years and that it is the Board's intention to invite him to remain on the Board.

Sir Robert will be succeeded by Mr. R. J. White. Mr. White joined The Wales at Echuca, Victoria, in 1940. Following war service in the A.I.F. he has served in most states of Australia, New Zealand and London. In 1965 he was appointed Assistant Chief Manager for New Zealand following which his other executive postings were those of Deputy Chief Accountant, Assistant State Manager (N.S.W.), Manager, Sydney Office, and Chief Manager, U.K. and Europe (based in London).

He was appointed a General Manager of The Wales in 1974.

The President said that Mr. White's experience through successive ranks and on a wide variety of assignments, eminently fitted him for the great responsibilities which he would assume in April."

Observer

FINANCIAL TIMES SURVEY

Monday January 31 1977

BAHRAIN

A small island surrounded by wealth, Bahrain is developing as a regional business and financial centre. But although it is making steady headway in its programme of social development, it is still dogged by inflation, and it has become a very expensive part of the world.

On the right road

By Richard Johns
Middle East Editor

BAHRAIN WAS somewhat dismayed when a recent report by the Union Bank of Switzerland rated the island as the second most financially punitive place in the world for an expatriate executive to live in. Rather lamely some of its citizens console themselves with the fact that the Financial Times' latest guide to the expenses for the international businessman placed the island fourth. But the latter is a survey of travelling costs and does not include rents. If it had then no doubt Bahrain would have achieved a higher rating.

For foreign companies, at least, rents must be one of the most painful aspects of the economic home, with about \$1,200 a month being the norm for a house with three bedrooms.

Last year the ready response of international banks to the Bahrain Monetary Agency's invitation to start offshore operations gave a few hard twists to the inflationary spiral which has sent the cost of both residential and office accommodation soaring skyward. If the process had continued it could in itself have impeded Bahrain's efforts to assert itself as the prime business, services and financial centre in the Gulf.

The structures of the new office blocks arising in the heart of Manama are the most conspicuous manifestation of the boom. But now as rent demands for office and residential accommodation level off or even fall, the most intensive stage is over, according to well qualified Bahraini and expatriate observers, who hasten to add that for the foreseeable future business conditions will be good. To a great extent the boom has been (and no doubt will go on being) all about steel structures and concrete. In these structures, however, the new office blocks and hotels under construction are also a witness to the confidence about Bahrain's prospects felt by the private sector and by the merchant community. The faith has certainly been backed by the commercial bankers.

For its part the Government has stepped up its spending considerably, having shown no urge to do so in the immediate wake of the 1973-74 price explosion, from which, of course, it benefited (though not a member of OPEC). With its minuscule, declining output of oil

(about 3 per cent. of Abu Dhabi's) it would not qualify for membership, anyway, despite being the oldest of the Arab producers in the Gulf. (As it is, 47 per cent. of its income from oil this year is expected to come from its share of the Abu Saafa field granted by Saudi Arabia in 1972.) Frudence was understandable and necessary given the need to cater for a rapidly growing population in the future. However, having accumulated budgetary surpluses in the previous two years, Bahrain went into deficit in 1976 and can do so again in 1977 without undue concern.

Actual development justifies the optimism that Bahrain will now be able to exploit more fully the advantages of its geographic position, its greater sophistication compared with the States of the lower Gulf, and a population which has enjoyed five decades of education. Saudi financial support apart, Bahrain is now at last benefiting from the swollen revenues of its neighbours. Crucial here is the island's proximity to Saudi Arabia's Eastern Province, which by the early 1980s should be linked by a causeway, and its close political links with Riyadh. This was one of the main attractions to the blue-chip banks applying for offshore licences, while Bahrain merchants have been active in shipping goods across the water and thereby helping to relieve port congestion at Dammam.

The banks' hopes of an infusion into the offshore market of official funds by Saudi Arabia and the surplus producers have

not yet been fulfilled. However, a foreign exchange market in the currencies of the Gulf has been established. Some loan issues have been managed from Bahrain in a variegated business scene where some of the banks have financed imports by the Eastern Province and others undertaken such esoteric business as gold custody contracts. Funds in the market now seemed soundly based at over \$5bn. "If the market consolidates around \$10bn, then we will have a future," commented one of the island's bankers. Thanks to the Bahrain Monetary Agency's initiative, Bahrain has now developed as a financial centre, which owes little to Beirut's demise and was not stimulated by it. In itself the presence of prestigious banking names should have a multiplier effect.

Ancillary

In the productive sector Aluminium Bahrain's smelter has thrown off ancillary industries and the Arab Shipbuilding and Repair Yard the \$300m. project of Arab oil producers, which will be in operation by the year's end, may well stimulate related business. For Bahrain the purpose of both was to create employment opportunities for a population likely to double over the next 20 years. Although, now, ironically it is having difficulty in providing workers for them, the preoccupation will remain despite the massive import of expatriate manpower from

Asia. Bahrain, it should be noted, has never welcomed Palestinians, nor did it provide a refuge for Lebanese during the civil war.

Now the Government's view appears to be that industrial diversification should be limited, particularly at the heavier end. The discernible change in emphasis is probably not unrelated to apprehensions about the creation of a radical proletariat following the labour unrest at the aluminium smelter in 1974, although it also stems from the realisation that gas resources are less than was once thought. The concentration now will be on the service sector, of which the offshore banking venture is an important part.

Its long-term success and Bahrain's future as a regional business centre inevitably depend on the political stability of the island. It is still ruled by the Khalifa family, a proliferating clan, which historically and in contemporary times has been considered as enlightened as any in the Gulf. In the year following independence from the U.K. tutelage over external affairs and the withdrawal of its troops, the riots of March, 1972, convinced Sheikh Isa, the Ruler, and his counsellors, of the need for some form of consultation with the people. The experiment with the ill-fated National Assembly between 1973 and 1975 showed not only that the traditional system was incompatible with democracy but also that radical activists pulled more weight with the people

than the conservative ones. In the elections the "Popular List" emerged with the majority of seats in the 42-member parliament, and showed the National Liberation Front, with its overtly Communist leanings, to be a political force. The National Assembly was finally dissolved in August, 1975, having made life impossible under the rules of the constitutional game.

There is no evidence that the majority of Bahrainis grieved over the disappearance of the National Assembly. In this context it should be said that cutting across the juxtaposition between conservative and radical is the division between the historically indigenous community belonging to the Shi'ite sect, which is fiercely religious, and the Sunnis of Persian origin. Nevertheless, a disquieting reminder of the existence of elements anxious to subvert the existing order came late last year with the brutal murder of Mr. Abdullah Madani a right-wing newspaper editor. No doubt the seven men subsequently arrested were drunk, as the prosecution alleged. But it is also known that the group was associated with the Popular Front for the Liberation of the Occupied Arab Gulf (which boycotted the election in 1973), and in open court the trial established the links of one with Iraq (which is still very much interested in the export of its own ideology). Two of the accused have been condemned to death.

In the last resort the Government's most urgent task is to deal effectively with economic and social problems of which the two most urgent are housing and inflation. Both have been compounded by the economic boom which, in turn, must have increased the majority's resentment against the minority who have profited most from it. Fortunately, Bahrainis for the most part are outside the rent-escalation syndrome. The Government is giving top priority to its home building programme, with financial assistance from Saudi Arabia and Kuwait. It has also put in force various measures to keep down the price of basic foodstuffs and other goods. The Government faces a difficult, continuing challenge in a situation where drivers are far better paid than teachers because of the demand for labour.

As they contemplate Bahrain's future, the bankers and businessmen can rest assured that Saudi Arabia would immediately intervene if there was a political upheaval, and Iran, too, is silently underwriting the system. Less generously than Saudi Arabia, Kuwait is also giving aid and has obtained the right to do commercial agency business in Bahrain and buy land. It is a reciprocal agreement, but Bahraini merchants cannot compete on an equal level with the richer Kuwaitis, who have recently been buying land around the point where the causeway will end.

It is the Saudi nexus that is all-important. The Kingdom's policy, at the same time enlightened and self-interested, puts the island under its hegemony and imposes certain obligations. Bahrain TV is careful not to show anything that might be offensive, for instance, when seen across the water. There is now lively speculation about the chances of prohibition being imposed at Saudi Arabia's behest when the \$750m. causeway is financed by it is completed. That seems improbable though casino gambling would certainly be taboo. Whatever the cost the Saudi factor must be seen as reassuring, as well as stimulating. The course now under local ownership and the which Bahrain is set looks to be nbligatinn,laid on employers to a fair one.

Paperwork

The 11-man Cabinet, six of whom are Khalifas, is acknowledged to be a good ministerial team. But below it the understaffed cadres may find themselves unable to cope with the paperwork involved in recent legislation, drawn up with Egyptian advice. New laws on social security, labour and companies are cumbersome and are a definite move towards bureaucratic control, which will hardly improve Bahrain as a regional service centre. The requirement that Bahraini-registered companies should be 51 per cent. under local ownership and the which Bahrain is set looks to be nbligatinn,laid on employers to a fair one.

Take a closer look at what Bahrain has to offer

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BAHRAIN's communications facilities are highly developed. The regional airline, Gulf Air, has its headquarters here, offering regular local connections as well as international services. And a 24-hour satellite communications centre provides highly efficient worldwide tele-communications.

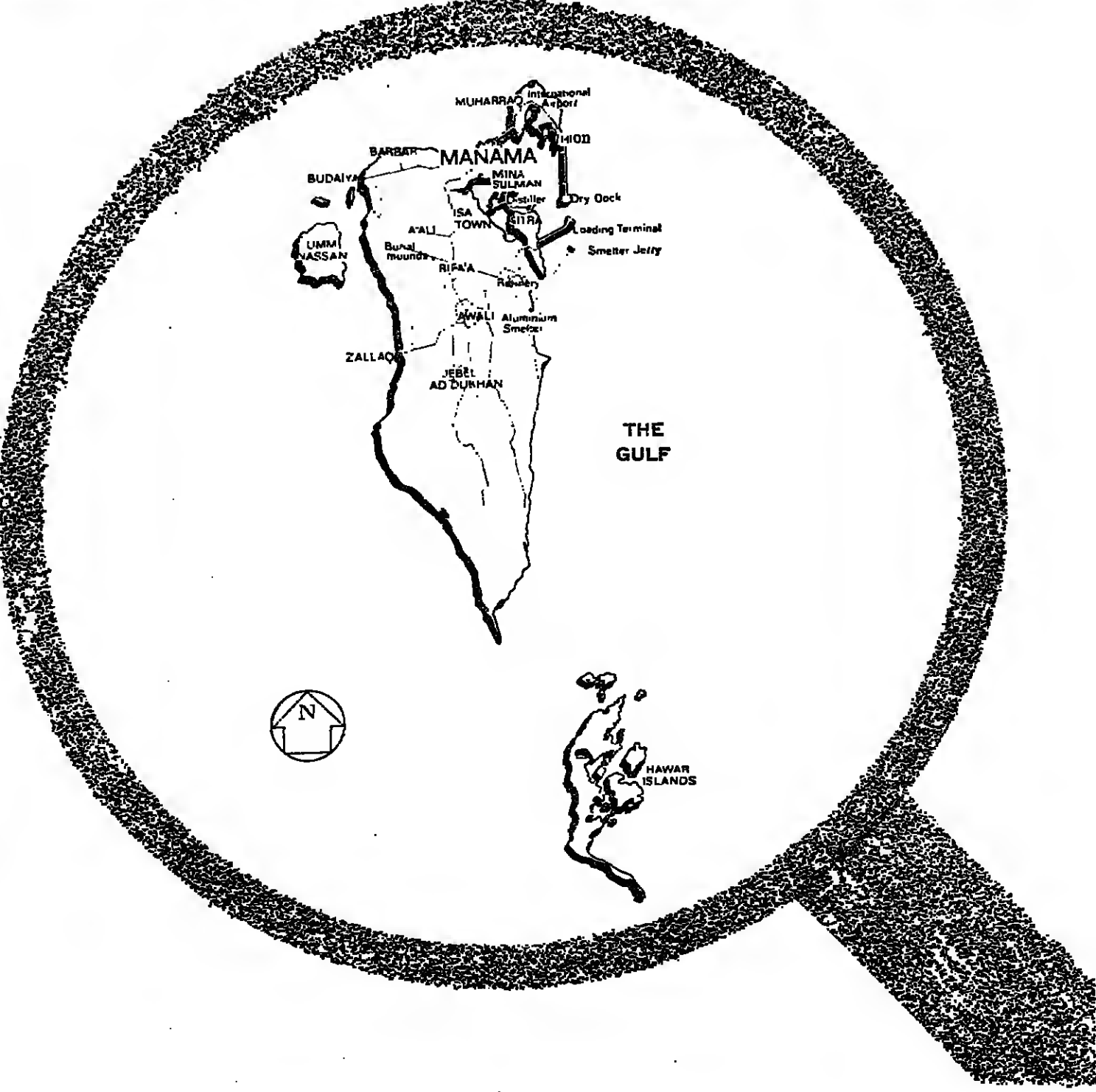
BAHRAIN is fast becoming a banking centre of world status. Its Monetary Agency has planned and overseen the tremendous growth of Bahrain's offshore banking business in just one year. And Bahrain's time zone means that its working hours slot neatly between those of the European and Singapore currency markets.

BAHRAIN has a stable system of government, an inherent trading tradition and a living environment which is appealing to more and more local and expatriate business people.

BAHRAIN's economic future does not depend on its oil, but on its pool of national manpower and extensive industrial diversification. Aluminium smelting, oil refining and the building of the OAPEC supertanker dry dock are just a few examples of the way Bahrain is shaping its commercial future to ensure continued industrial growth.

Bahrain: a good investment

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THE ECONOMY

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Keeping a balance

NEVER BEFORE has Bahrain experienced such intense growth and its economic fabric undergone such strain as in the past year. For most Arab petroleum producers of the region, 1976 was the peak year of intensity. Though not a member of OPEC and only a very modest declining producer, Bahrain of course benefited from the price increases imposed in 1973-74 but did not feel their full effect until 1976.

Final returns will show imports to have risen by 55-60 per cent, a significantly greater increase than in 1974 and 1975.

Construction activity nearly doubled while rents and real estate values went up even more. No less than 40,000 expatriate workers joined the labour force. Some 500 South Korean workers are about to be imported to help ease the congestion and pile-up of goods at Mina al Sulman port.

Freight piled up at Bahrain's international airport at Muharrag, whose modernity and efficiency has been one of Bahrain's proudest boasts only a few years ago. The island's previously excellent telecommunications wilted under the pressure, not least because of the arrival of the offshore bankers. While the soaring office blocks and building sites were the most visible manifestations of the boom, the most prestigious was the unveiling of the world's blue chip banks in response to the Monetary Agency's invitation to make money in a tax-free haven. Finally, the impact of increased expenditure by the Government, which is the main generator of economic activity and inflation, was much more marked.

With what must be regarded as still restricted means by the standards of the region, and big future calls to meet the needs of a fertile population, the State moved cautiously in the wake of tripling oil prices at the end of 1973. Indeed, with a relatively well-developed infrastructure, there was not the same urgent need to spend, and there was a sober review of future spending options. In 1974 and 1975 Government outlays were less than the budget's allocations—mercifully from the point of view of inflation, which was officially estimated at 30 per cent and 15-18 per cent for the two years respectively. For 1976 the provisional reckoning was based on family incomes study of a few years back. But that would be questioned by many observers, quite apart from the fact that only 7 per cent weight in the basket is given to rents (whose rise has left most Bahrainis unscathed). Any slowdown in the rate—withstanding the acceleration in State expenditure and worsening port congestion—would have owed something to the rate of world inflation dropping as well as the Government's subsidies on essential commodities and, perhaps, its efforts to control prices charged by merchants on a wide range of goods. At the same time the impression is that the frenetic activity is levelling off.

State expenditure in last year's revised budget at BD197m was up 46 per cent over 1975. For 1977 the recently announced budget projects a figure of BD249m. (\$629m.), a 25 per cent increase overall but one of 38 per cent on the capital side. Mr. Ibrahim Abdul Karim, Minister of Finance, hopes that the gap may be covered by aid—otherwise with funds from the State's reserve.

Domestic

Oil revenue—accounting for 79 per cent of anticipated receipts from domestic sources—is expected to rise as a result both of the 5 per cent price increase set by Saudi Arabia which shares the income from the offshore Abu Saafa field with Bahrain, and also of higher output from the field. Against this, production from the State's own wells onshore will probably decline again this year. Receipts from fees and services will more than double. The Government has not been afraid to raise charges and introduce new ones to broaden the revenue base—a course dictated by prudence, if not necessity, and the urgings of the International Monetary Fund. Significant in this respect is the \$100m. granted by Saudi Arabia for housing schemes. In addition nearly BD10m. will be available from grants made by the Kingdom and Kuwait for building hospitals and schools.

Bahrain can hardly be accused of extravagance. On the current expenditure side the projected rise is modest enough. For political and social reasons the programme for the construction of 2,000 housing units annually is an urgent priority. Apart from the port, Bahrain's infrastructure may have been relatively well prepared for the oil boom. Yet rightly it is preparing for the future with such expensive schemes as the first stage of a new sewage system (BD27m.) with a total cost now estimated at BD100m., the 500-bed Sulmaniya Hospital (BD10m.), a water distribution network (BD10m.), improvements to roads and—not on the immediate horizon—a 300MW power station which will nearly double the island's present capacity.

Nor has the Government been blinded by the present bonanza into believing long-term economic and social problems will now look after themselves, even though Bahrain is now profiting from the oil wealth of its neighbours. It was the first of the Arabian producers—which has given it obvious advantages

over Qatar, Oman and, more especially, the United Arab Emirates. Its own crude production is little more than 50,000 barrels a day and is likely to come to an end by 1993. Income from Abu Saafa assigned to Bahrain in 1972 by Saudi Arabia is still, basically, a gift from the Kingdom.

Limited

Oil apart, and discounting the limited agricultural potential, Bahrain's only other natural asset is the high quality gas with its low sulphur and moisture content, from the field in the Khuff Zone. Five years ago it was reckoned that reserves amounted to 16-24 trillion cubic feet. Now they are more accurately put at 7-8 trillion cubic feet. With extra allocations for power generation the life of the field is put at 50-60 years by Mr. Yousuf Shrawi, Minister of Development and Industry.

Bahrain's dependence on hydrocarbons may be less than that of the UAE, Qatar and Oman. Even so it is large in economic as well as fiscal terms and more immediately worrying than its limited petroleum reserves. No official estimates for balance of payments exist, but informed calculations show that net earnings from the oil sector—including income from Abu Saafa and local spending by Caltex—would probably have covered only two-thirds of the visible trade deficit in other goods. This totalled nearly BD170m. (\$430m.) for the first three quarters of 1976, 50 per cent up on the previous year.

	1977	1976
Expenditure	249.5	197
Revenue	111	90
Capital	138.5	100
Revenue	235.5	181
Oil income	150	131
Government fees	26	19
Government services	14	32
Miscellaneous	45.5	22.7
Including aid	14	16
Deficit		
* Estimate		

was accounted for by the foreign assets in the Government's special reserve fund rather than those controlled by the Bahrain Monetary Authority. In 1976 the former were run down to \$69.1m. by the end of November, largely as a result of subscription payments to various pan-Arab bodies and projects. But the State's overall reserves stood at \$400m.

It seems that the deficit was marginally covered. Foreign liabilities of the BMA and the commercial banks increased. So, too, did aid and investment, but the main factors were remittances from Bahrainis abroad, income from Gulf Air spending by visiting businessmen and the operational funds brought in by foreign companies, not least the offshore banks. One of the leading ones has set its own costs last year at no less than \$1m.

Bahrain can congratulate itself on the manner in which it has diversified its sources of revenue. These invisible earnings owed much to the boom in the region, while the jump in the value of imports may have been an exceptional one resulting from the unprecedented construction activity. However, the trade gap is likely to continue yawning wider, and taking a longer-term view no one can be complacent on this score.

Nor, despite the influx of foreign manpower has the concern about employment been dispelled. Half of the population is under the age of 20 and its growth rate is estimated to be 3.5 per cent annually, meaning that the number of Bahrainis could double in about 20 years. As it is many of its better brains are continuing to emigrate in search of better pay or more suitable jobs, while many posts demanding qualifications have to be filled with expatriates. The problem is partly one of the education system and training—to which the Government has turned its attention with some purpose. The questions of diversification and employment will continue to challenge the planners. At present it may seem ironic that Abu should have had to recruit Pakistanis when originally the project was backed by the Government primarily as a means of income. Despite the low price charged for gas (9.3 cents per 1,000 Btu), the aluminium smelter is only just breaking even now (with world prices high). However, its net foreign exchange earnings last year were \$55m. and it is spawning ancillary industries. That is by no means the full extent of industrial development. In the free zone area

adjacent to the port of Mina Sulman there are ventures involved in flour milling, prawn fishing and freezing, paper processing, plastic pipes, assembly of air conditioners, nails, matches, foam rubber, furniture and prefabricated housing. For some years the island has had two small facilities serving vessels, which might be seen as a precedent for the Arabian Shipbuilding and Repair Yard scheduled for completion later this year. As it happens, the \$900m. project of the Organisation of Arab Petroleum Exporting Countries was directed to Bahrain largely to make use of its relatively adaptable labour and provide jobs for Bahrainis, with the promise of 1,500 or so in the first phase. So far, it has had to compete vigorously for recruits, of which only 120 are now in training.

Bahrain is now going to scrutinise much more closely applications for licences in the light industrial field. Here Mr. Shrawi favours close collaboration with Saudi Arabia, which has the financial resources to offer capital almost interest free and also a larger domestic market. Already, he points out, Bahrain investors are participating jointly with Saudis in cement and glass projects. Not the least factor in his thinking, meanwhile is the prospect of the causeway connecting Bahrain with the Kingdom being completed in the early 1980s.

In November the Saudi-Bahraini joint ministerial committee finally approved a revised study drawn up by Danish consultants, and detailed specifications should be completed by the early summer so that tenders can be invited and work started next year. Mr. Shrawi says that the project could be completed in three years—or by 1981—at a cost of \$750-800m. Half of the two-lane dual-carriageway would be supported by embankment and the other half by bridges, including one across the deep channel with a 23 metre clearance for shipping.

For Bahrain according to official thinking, the importance of the link lies not so much in the industrial sphere as in enhancing the island as a service centre for the region and a trade entrepot. Beyond the Kingdom the causeway would link Bahrain with the Trans-Arabian Highway, stretching from the Arab north to the further reaches of the lower Gulf. The island has profited from its excellent air communications and being the headquarters of Gulf Air in which the Government is a shareholder. Its regional pre-eminence seems confirmed by the inauguration of Pan-Am's first direct Boeing 747 flight from the U.S., Cathay Pacific's new service and the first appearance of TWA, but in competing with Dubai, especially as an entrepot, being an island has been a disadvantage.

In its efforts to establish

BASIC STATISTICS

Area	256 sq. miles
Population	255,000
Trade (1975)	
Imports	BD474m.
Exports	BD438m.
Imports from U.K.	£60.9m.
Exports to U.K.	£17.8m.
Trade (1976)	
Imports (to end Sept.)	BD452m.
Exports (to end Sept.)	BD365m.
Imports from U.K. (to end Nov.)	£80.7m.
Exports to U.K. (to end Nov.)	£25.2m.
Currency:	
Bahraini dinar	£1 = BD0.58

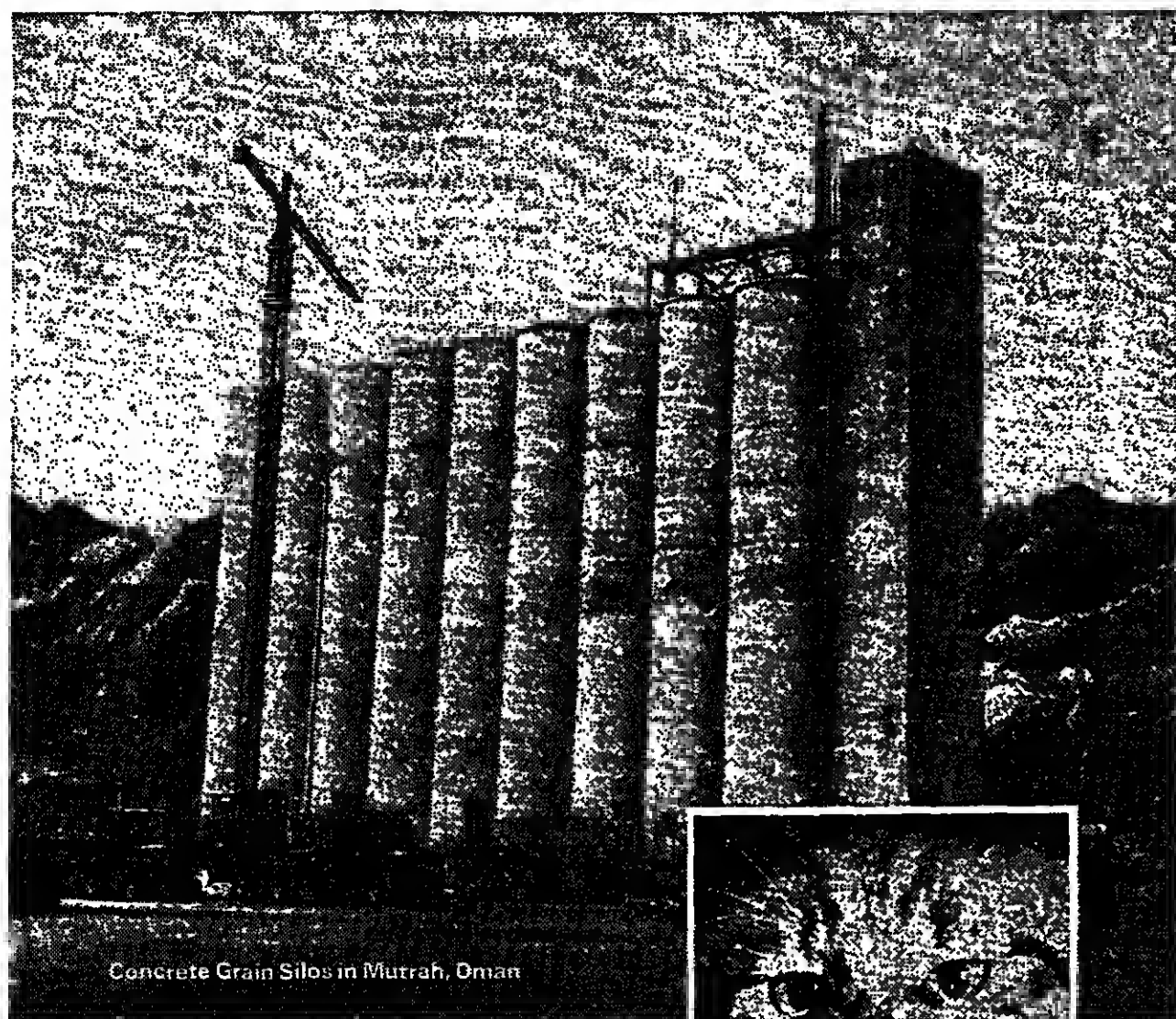
itself as the prime business and service centre in the face of much richer, more laissez-faire Dubai's challenge. Bahrain's image has received a considerable boost from its offshore banking venture. In itself the presence of the world's leading banks and a market of over \$6bn., Mr. Alan Moore, Director-General of the Bahrain Monetary Agency, believes it will have a "magnetic effect" in attracting companies in other businesses to come to Bahrain. As for the local merchants, any suspicions which they harboured must have been dispelled by the exorbitant rents and high salaries paid to local employees by the expatriate managers.

Disincentive

These costs in themselves might prove a big disincentive to types of business with heavier overheads; equally inhibiting could be the Government's growing tendency to regulate commerce or, even worse, attempt to tax the profits. The Commercial Companies Law decreed last year—which does not cover offshore banking units—requires 51 per cent local ownership for companies trading in Bahrain. Under the Social Security Law they must also pay into the new National Fund a portion of their expatriate employees' wages.

The Government will have to seek new sources of revenue. Perhaps a nationalist sentiment of "Bahrain for the Bahrainis" will take hold—though, fortunately, there is little sign of that so far. Clearly, however, a fine balance will have to be kept if the State is to hold seriously to be the "Singapore of the Gulf"—a title consciously sought by the Ruler of Dubai. With declining oil revenue, limited scope for diversification and a population explosion, Bahrain has little choice in the long-term but to compete for it.

Richard Johns



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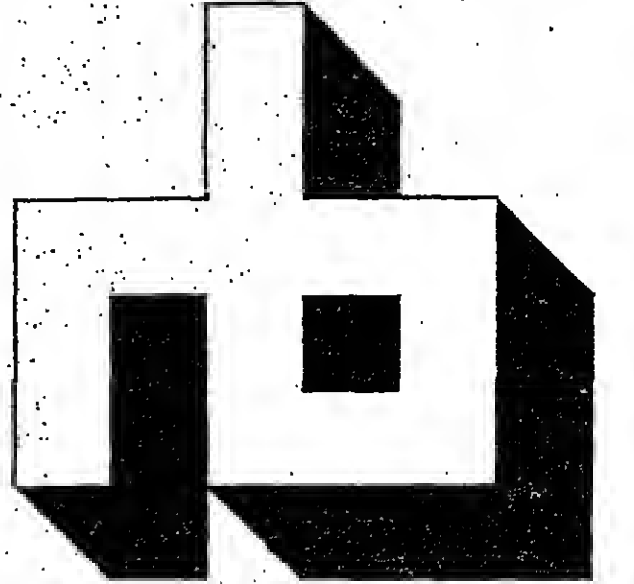
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TRADE

BAHRAIN III

Expanding market

MERCHANTS of Bahrain were amused a fortnight ago when the Government announced without warning that it was introducing a new scale of fees for traders and significantly increasing their fiscal obligations. By the criterion of inflation and the State's revenue requirements some revision might have seemed overdue.

The rates set in 1961—BD5 for a private individual and BD15 for a business—were hardly onerous even for the smallest shop-keeper. They were laughable for the big businesses like those of Yusuf bin Ahmed Kanoo, A. A. Zyaid, K. and Y. K. Almoayyed, United International Agencies and Mohammed Jalal, which pay no tax, anyway, either corporate or personal.

For them perhaps the biggest grievance was hurt pride. Mr. Mohammed Jalal, president of the Bahrain Chamber of Commerce, points out that they were not consulted. More substantively, he adds, the cost of a general merchant's licence at BD4,000 (£5,900) would be beyond the pockets of the small trader of the south and exceed the turnover of many. Below that there is now a sliding scale.

At the lower end the minimum fee of BD10 is set for trade in locally produced food-stuffs with the rate rising by anything from BD25 to BD150 for imported ones—and so on.

Mr. Hahin Ahmed Kassim, Minister of Commerce and Agriculture, acknowledges that the purpose was not only the raising of revenue but also the administrative—classification and rationalisation of the business scene.

In practice, only a quarter of Bahrain's 7,500 registered traders are reckoned to be

BAHRAIN'S FOREIGN TRADE

	Non-oil (BDm.)			Oil		Overall balance
	Imports (cif)	Exports (fob)	Balance	Imports (crude)	Exports (refined)	
1970	80.1	25.2	- 54.9	37.6	75.6	- 16.9
1971	109.1	26.1	- 78.0	39.0	92.3	- 25.7
1972	106.8	45.9	- 60.9	58.3	97.1	- 22.1
1973	128.0	59.1	- 68.9	76.3	120.7	- 24.5
1974	176.0	71.7	- 104.3	289.0	390.3	+ 17.0
1975	232.9	84.0	- 148.9	240.9	354.0	- 35.8
1975 (Jan-Sept.)	176.7	64.1	- 112.6	173.6	252.7	- 33.5
1976 (Jan-Sept.)	260.8	90.9	- 169.7	181.0	277.2	- 83.5

Sources: Ministry of Finance and National Economy and Ministry of Development and Industry.

really active in business. Many have held licences just hoping for something to turn up. Coming after other legislation, the new fees might correctly be seen as another dirigiste measure to control Commerce in a State which long ago had to cede pre-eminence as an entrepot to Dubai, which has been more dynamic and competitive in recent years. But whatever the longer-term future holds in terms of State interference, the merchant community as a whole can hardly grumble at the moment.

According to the latest forecasts, Bahrain's imports for the whole of 1976 are likely to be about BD360m. (\$910m.), which would be 56 per cent. above the BD229.5m. recorded for 1975. Final figures for the January-September period of last year put the import bill at BD260.6m., up 46 per cent. over the comparable period of 1975. Such an increase would be by far the largest in the State's history—confirming the fact that the effect of the escalation of oil prices in 1973-74 was delayed in the case of Bahrain.

One does not have to look far

for an explanation. "The construction industry is the industry and nearly all business revolves around it," commented one commercial banker. That too is the clear message from the banking statistics. At the end of last September total lending by the commercial banks to the construction sector accounted for 33.6 per cent of the total compared with 23.2 per cent a year earlier. In absolute terms loans for this purpose had risen from BD36.4m. to BD76.9m.

Advances

In the same period outstanding advances for the purposes of straightforward trade, traditionally the main preoccupation of the bankers, actually fell from BD71.1m. to BD87.1m. according to the statistics of the Bahrain Monetary Agency. A large proportion of goods financed under that head will have been construction equipment and building materials. Mr. Alan Moore, director of the Agency, says that in practice it is difficult to make a clear distinction between loans for trade and construction.

Even if the building boom has reached its peak, demand for construction equipment and material will continue at a high level. In particular, there is the housing drive. On the island itself the United Building Group is already established and aiming at production of 2,000 units annually using a French precast concrete system. However, demand is such that the Government is said to have looked at no less than 400 systems in drawing up its pre-qualification requirements.

In general, opportunities will centre very much around planned developments. There is obvious scope for equipment for the hospitals and schools being constructed under Saudi and Kuwaiti aid programmes. More esoteric possibilities are presented elsewhere—for instance, three or four marinas are in prospect. Next month a mission of British boatbuilders is visiting Bahrain with an eye to the market which they should create.

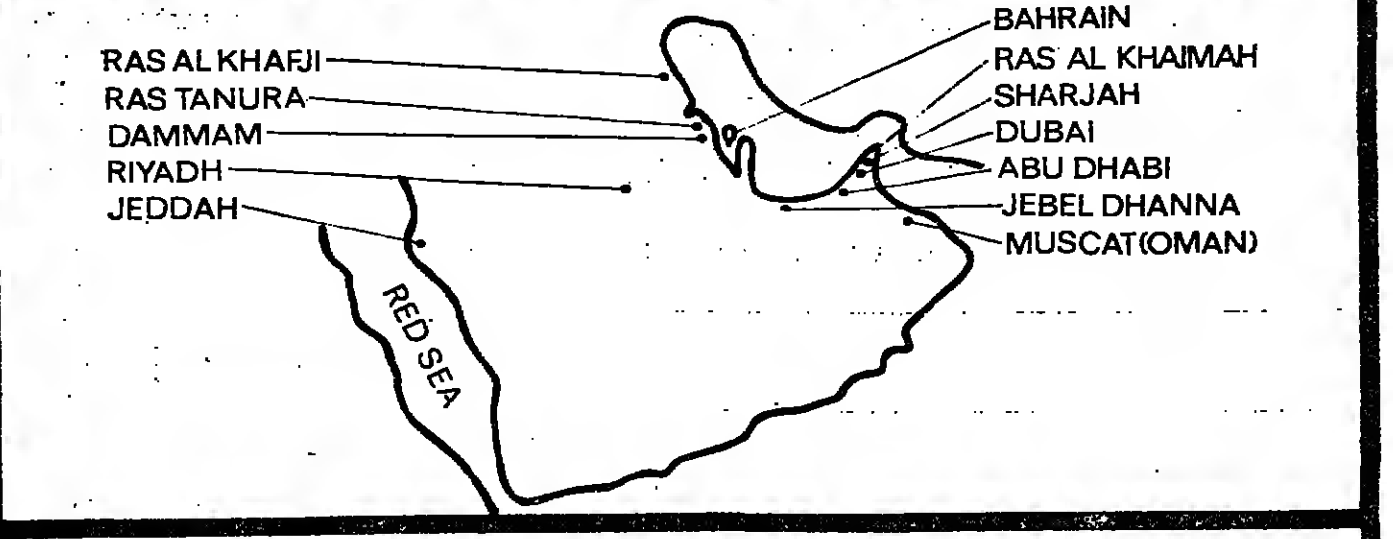
Building materials and construction equipment have played a prominent part in helping Britain to recover its position as Bahrain's leading supplier (it slipped to second place behind the U.S. in 1974), a recovery obviously helped by the depreciation of sterling. Traditionally, Bahrain has bought U.K. machinery and mechanical handling equipment. British Leyland was absent from the market for seven years until its removal from the Arab boycott of Israel blacklist in 1976, but commercial vehicles from the Chrysler range are said to

Storage

Goods destined for trans-shipment can enter Bahrain duty-free provided that they remain in storage for no more than two months. (For the record, the rates levied on imports are 5 per cent. on foodstuffs and basic necessities, 10 per cent. on luxury goods, 15 per cent. on cigarettes and tobacco, and 70 per cent. on alcohol.) Last year, certainly, congestion at Mina al Salman and Muharrag airport drastically lessened the attractions of entrepot trade at precisely the time when other States were forced to close down their io-transit facilities.

Waiting times at Bahrain's port before Christmas stretched to 60 days, although the average is now down to 30 days. The expense of storage and port surcharges, an important element in local inflation, is high. Moreover, the cost of transshipment by dhow—in the absence of flat barges—is by no means negligible at BD500-800. for the trip to Dammam. Even so, some merchants, like Mr. Jallal, have been active over the past year in re-exporting bulky building materials to the Eastern Province of Saudi Arabia where the main market is now and where the potential for the future is enormous.

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BAHRAIN'S MAIN SUPPLIERS (BDm.)

	1973	1974	1975	% share 1975	1976*
Britain	24.14	25.72	42.81	18	68.2
U.S.	17.65	31.72	36.32	15	54.6
Japan	15.11	23.17	27.35	11	48.6
China	7.56	11.24	14.44	6	12.2
Italy	3.8	2.72	11.49	5	5.0
West Germany	5.15	3.25	11.47	5	19.8

Sources: Bahrain Government Directorate of Statistics.
 * Financial Times estimates based on projections from January-September period.

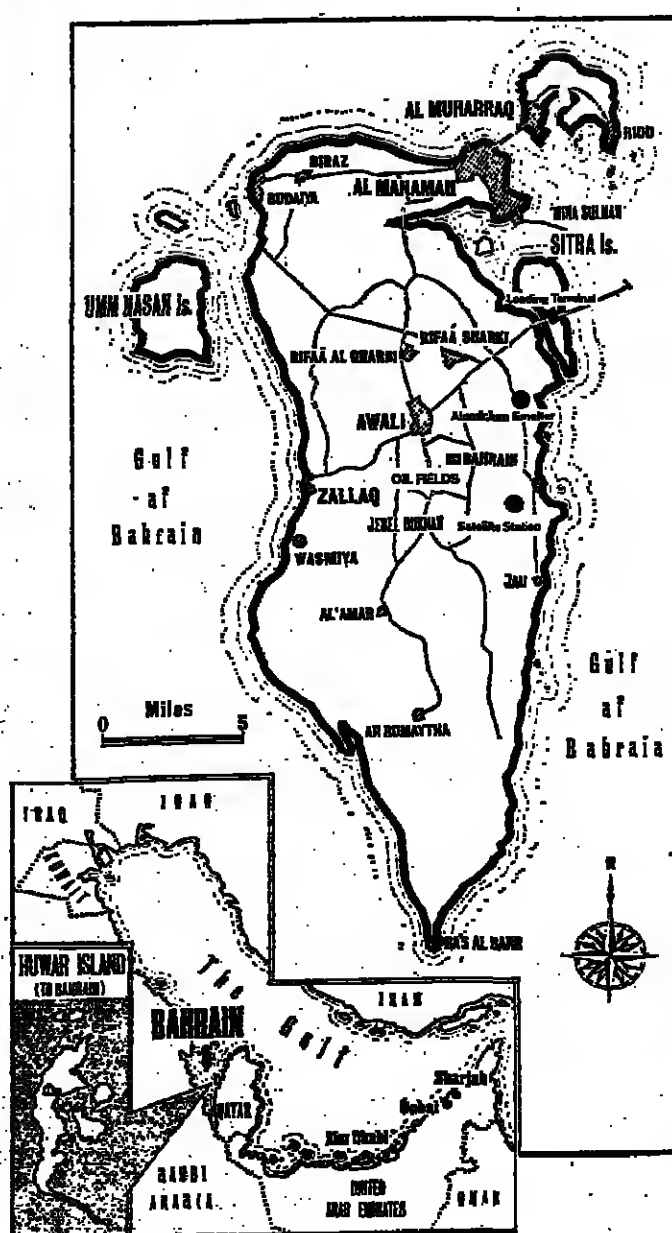


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BAHRAIN IV

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Developing apace

BAHRAIN'S RISE as an Arab financial centre has paralleled Beirut's demise. This has been almost fortuitous. The decision to establish offshore banking in Bahrain was taken before the Lebanese civil war erupted and was based on the national advantages the country could offer both its rich Arab neighbours and the international banks. The decision was also based on a coherent and deliberate policy aimed at getting some of the surplus revenues of Saudi Arabia, Kuwait, the United Arab Emirates and Qatar banked through Bahrain rather than directly to New York, London or other Western centres. Beirut's position before the civil war had evolved piecemeal and without any clear official policy. As a result, it was a very different centre from what Bahrain is attempting to become.

Location

The advantages of Bahrain as a wholesale money centre in the Arab world are well rehearsed elsewhere in this Survey—its location on the doorstep of the rich oil States, the quality of transport and telecommunication links, the relatively liberal social and economic environment and so on. What is surprising is that so much has been accomplished in so short a time since offshore banking units (OBUs) were first announced in October 1975 and that the body guiding the island's financial development is so young.

Set up in December 1973, the Bahrain Monetary Agency began operating fully only at the start of 1975. Its predecessor, the Bahrain Currency Board, had left the banking community pretty much to its own devices, and the relative freedom from regulations on banks holds to-day. Freedom from corporate, withholding and personal taxes has been a prime attraction for the OBUs.

Commercial banks have to report to the Agency every month and lodge with it, interest-free, 5 per cent of their dollar liabilities and 1 per cent of their foreign currency liabilities. Local banks also have to conform to a deposit/capital ratio of 20 to 1.

The BMA has also introduced stability into the foreign exchange market by maintaining a steady dinar/dollar rate even if this has meant some fluctuation over the past year against sterling and European currencies. Bahrain's two prime exports—oil and aluminium—are priced in dollars, though a lot of imports are still priced in pounds.

For the OBUs, the price of freedom from fiscal restraints is a \$25,000 licence fee. For more than one bank already established as a retail operation in Bahrain it paid quite handsomely simply to set up an OBU and transfer business to that instead of tying up cash as interest-free deposits with the BMA. Indeed, it is said that the size of Citibank's offshore portfolio in Bahrain before OBUs were created provided one of the spurts to the BMA in its offshore banking policy.

Bahrain's additional attraction to international banks is its niche between London and Singapore—time which allows round-the-clock trading. Bahrain opens before Singapore closes and London comes to life around noon Bahrain time.

The living environment is also pleasant by Gulf standards if not quite on a par with Beirut. The major problem for expatriate bank personnel is finding a house or flat—£1,000 a month is a normal rent for something quite modest. The counterpart for the banks themselves has been finding out only suitable office accommodation but also enough qualified local personnel when nearly 30 new banking operations have been scouring the market over the past 18 months.

For representative offices, Bahrain perhaps does not seem quite such a good bet as for the OBUs. Apart from having to pay a \$5,000 licence fee—introduced by the BMA last year to keep the numbers down—the 15 or so representatives miss the more relaxed atmosphere of the Beirut of old, where rich Gulf Arabs went to wind down, away from the restricted social atmosphere of their own countries and where they were more likely to tell foreign bankers their true thoughts.

It is unlikely, therefore, that Bahrain will ever have as many as the 70 or so offices that Beirut boasted. Some big names are missing from the list—the Japanese in particular, as well as Morgan Guaranty and Credit Lyonnais. Bahrain will clearly need time to develop away from its present concentration on short-term money dealing.

Makram Khalil, manager of the Bahrain representative office of Citicorp International Bank, believes investment banking will develop as personal contacts between bankers increase and the credibility of branches grows.

BAL (Middle East) Inc., a wholly-owned subsidiary of the Paris-based investment bank and the only OBU separately incorporated, has already been active in syndicating loans through Bahrain, particularly ones in Kuwaiti dinars and UAE dirhams. Several of the banks are trying to sell Eurobonds in the Gulf from Bahrain. Algemena Bank has just taken on a man to hawk guildler bonds up and down the Gulf from a Bahrain base.

Plethora

In addition to the plethora of OBUs and representative offices, there are 18 local commercial banks. (Seven of which also have offshore licences.) Some people think this too many for a population of 250,000 or promised, with the Bahraini so. Certainly, no more licences are likely to be granted. The State Bank of India, for example, wanted to upgrade its representative office into a retail branch but instead has had to become one of the latest OBU licensees.

The aggregate balance sheet total of the commercial banks at the end of September 1976, the latest month for which figures are available, totalled BD661.3m, compared with BD409.4m a year earlier. At the same time their growth of foreign assets has not been hit too hard by the development of the offshore market; they reached BD171.1m in September 1976, BD30m more than in the previous September.

Over the same period the pattern of lending has changed considerably. In September 1975, 45.4 per cent of the BD156.9m lent went on trade; 23.2 per cent on construction. A year later, only 23.9 per cent of the BD232.4m lent went on trade, while 33.1 per cent was directed towards construction.

Despite the big increase in lending for construction, which reflects the huge demand for office and living accommodation generated by the influx of so many expatriates, several commercial banks are wary of getting involved in building projects. The crash last year of the pre-fabricated housing company, Viking (Bahrain), with large debts outstanding to the National Bank of Bahrain has deterred some. Others have been put off by parent banks which got their fingers burned in property speculation at home.

At least one banker feels that the heavy construction activity could lead to a surfeit of office accommodation on the market in a couple of years, with possible new repercussions in the banking sector.

Meanwhile, having put the offshore market on a sound footing, the Bahrain Monetary Agency is not resting on its laurels. According to Director-General Alan Moore, it is actively considering the role of the Bahraini dinar in international finance. Some kind of medium-term instrument denominated in dinars seems for a population of 250,000 or promised, with the Bahraini so. Certainly, no more licences are likely to be granted. The unit of account and the lender are likely to be granted. The State Bank of India, for example, wanted to upgrade its representative office into a retail branch but instead has had to become one of the latest OBU licensees.

The BMA would be looking mainly to external buyers, though such issues would also present investment opportunities to the General Organisation for Social Insurance (set up in mid-1976 with an initial income of BD0.5m a month) and to some banks with their capital denominated in dinars. At present there is no source of long-term funds in Bahrain.

Though external BD bonds would be attractive, Mr. Moore admits it is probably more important to try to get more savings invested locally, say through Government bonds if they could be created.

Peter Field

Pace setter in the Gulf's new industrial age



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BUSINESS CENTRE

Growing on its own

THE END of the civil war in Lebanon and the first moves towards the restoration of normality in Beirut may have some as something of a relief to Bahrain. Whatever the prospects for the unhappy country in the Middle East and a meeting point for businessmen, there have lifted the psychological burden on Bahrain imposed by the outside world's view that it must compete to be its successor.

While not averse to any profits accruing from Beirut's sad eclipse, Bahrain never saw itself as a substitute—despite its ambitions to be the main business centre in the Gulf and its bold venture into off-shore banking. Now it can go on developing in its own way without feeling any obligation to replace the Lebanon.

Of the three Emirates singled out by observers for the role of successor to Beirut—Kuwait, Bahrain and Dubai (some even mooted Sharjah)—Bahrain was the least affected by the exodus from Beirut. Very few Lebanese sought refuge in Bahrain during the troubles—only those with established family or business connections in the island either bothered, or were able, to come in. The Government did not welcome the idea of their entry.

However, as the eclipse of Lebanon occurred almost simultaneously—and incidentally—with Bahrain's issue of offshore banking licences, as well as the arrival of scheduled Concorde flights, the island became a very strong contender for the title of business centre of the Gulf, if not a pleasure centre in the style of pre-war Beirut—which, again, Bahrain did not want.

The quality and size of international banks that took up Bahrain's offer and the arrival of three international money brokers, suddenly made the concept of Bahrain as a regional business centre for the Gulf even more credible than before. Companies generally did not clamour to shift their representative offices to Bahrain in the manner that banks sought offshore banking licences—as many observers had anticipated. There has been a considerable increase in the quality and quantity of service professions in the island, however. A number of British solicitors have put up their plates. A chartered surveyor has set up and opened a subsidiary office in Dubai. And a chartered loss adjuster established his Middle East headquarters in Bahrain—not because of the troubles in Beirut but because it is physically closer to the eastern province of Saudi Arabia where most of his business occurs. (International auditors were here before.)

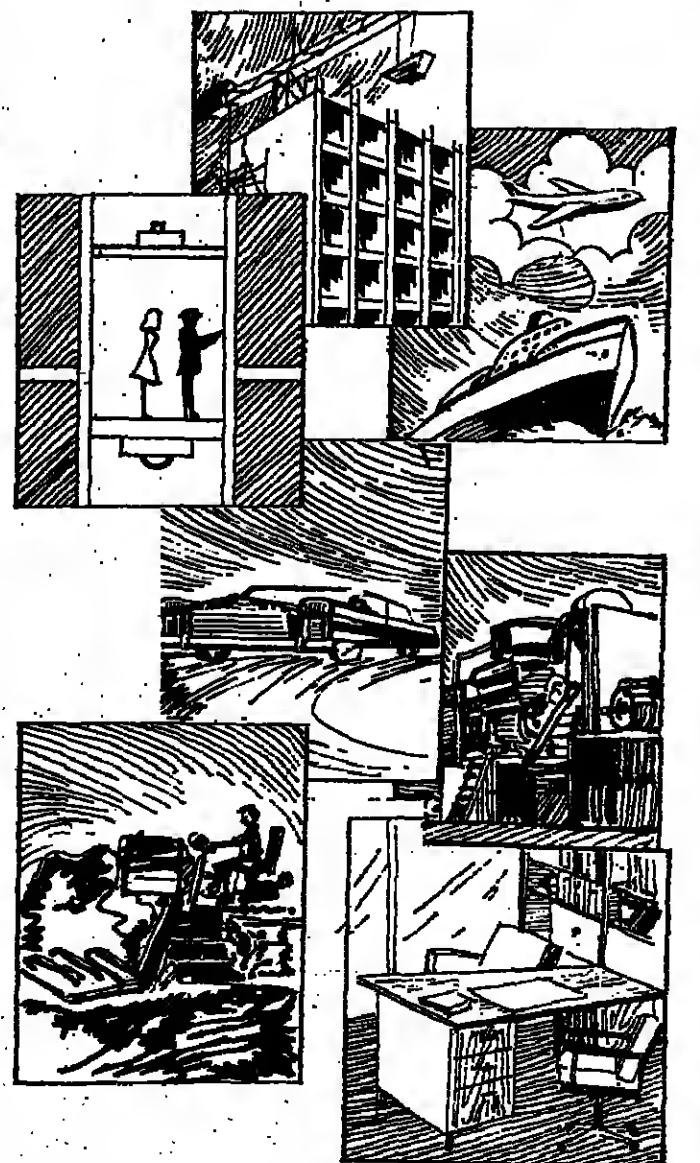
There has also been an increase in the number of businessmen using Bahrain as a hotel base from which to visit other States in the region—Saudi Arabia in particular. The 200 additional hotel beds that came on the market towards the end of 1975 proved woefully inadequate and the problem was aggravated by the Gulf Hotel having to close 120 or so rooms for repairs to the building.

Exorbitant

Nevertheless, for the future about 1,000 International standard hotel rooms are in prospect together with more restaurants, swimming pools, cinemas, bowling alleys and marinas to attract the visiting businessman. With any luck this may stabilise the exorbitant cost of staying in Bahrain—perhaps even bring it down a little. A single room at the Hilton costs \$75 a day at present.

It may even give rise to an industry devoted to the filling of those rooms, conference halls and beach clubs. Already there is talk of Bahrain's rather attractive exhibition site being used for international exhibitions, with a general relevance to the Middle East, rather than for more strictly local shows. The concept of becoming a

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سكنا من الاصل

OFFSHORE BANKING

BAHRAIN V

Broad bank base

BAHRAIN'S OFFSHORE banking units (OBU's) have come a long way in the nine months since the market first got into full swing, with total assets around \$6.25bn. by the end of 1976. But what everyone is watching is not so much the growth in OBU assets, important though this is, but the breakdown of those assets by region and currency.

It is clear from the figures for the end of September (\$5.1bn.) and the end of June (\$5.5bn.) that the growth in OBU assets is slowing down. This seems to reflect the fact that most of the major international banks with offshore licences have already opened and given their initial boost to the market while some of the later arrivals are not perhaps making such an impact on the volume of business being done. Though 29 OBU's are now operating and 37 licences in all have been issued, Alan Moore, Director General of the Bahrain Monetary Agency and architect of the island's offshore banking policy, is keeping his expectations of asset growth in 1977 to himself. Previously, he predicted the \$10bn. mark would have been passed by the end of 1976. End of year figures are still being collated at the time of writing but of the total \$6.25bn. about 70 per cent was in dollars and between 20 and 25 per cent in regional currencies.

through Saudi banks (notably the National Commercial), oil companies and other non-government institutions such as the Arab Petroleum Investments Corporation in Dammam. But the crucial player on the scene and disposer of around \$55bn. worth of oil revenues, the Saudi Arabian Monetary Agency (SAMA), still seems to prefer to place its funds direct with Western financial centres. SAMA has apparently placed some funds in addition to its equity stake with the newly opened Gulf International Bank, set up by seven Gulf states including the Saudis, and some bankers in Bahrain see this bank as the likely conduit for official Saudi funds into the offshore banking system.

Many banks have, of course, been drawn to Bahrain precisely by the prospect of an inflow of Saudi funds. But it is doubtful whether the Saudis will be prepared for some time to place their money through their neighbour's banking system. The Kuwaiti reaction to events in Bahrain has been almost the same as the Saudi's. The Kuwaiti commercial banks were among the first to make use of the offshore market, but no official funds have yet materialised. Bahrain's emergence as a financial centre, however, has spurred Kuwaiti banks into strengthening their dealing departments and generally becoming more aggressive.

Branches

This is much the same pattern as September. Regional liabilities were about \$2.5bn. and regional assets increased significantly to over \$2bn. There is a slight tendency towards longer-term deposits in regional currencies particularly in Saudi Riyals and Kuwaiti dinars, but overall maturities still remain short. Thus, although money from Saudi Arabia, Kuwait, Qatar and the United Arab Emirates is finding its way to Bahrain, it is clear that the large official funds from those countries, which Bahrain has set out to attract, are still being awaited. Alan Moore is optimistic. He says the question that will be asked soon by neighbouring states is not, "why should we deal with Bahrain," but "why shouldn't we deal with Bahrain. After all they're open at the same time as us."

One of the key points of the Bahrain Monetary Agency's policy has been to allow only full branches of international banks to take up offshore licences, another has been to ensure that OBU's are "fully-staffed, operational branches, whose staff are actively engaged in the business which is written in the books of the branch." Both points were essential for establishing from the start the credibility of Bahrain as an international centre. The BMA saw little reason for covering office walls in Manama with "brass plates." This has meant that the staff of OBU's include at least one exchange dealer, though, in practice, a hard core of only about five banks is actively working to build a money market, according to one

OFFSHORE BANKING UNITS LICENSED IN BAHRAIN

Algemene Bank Nederland	Chase Manhattan Bank
American Express International Banking Corporation	Citibank
Arab Bank	European-Arab Bank
Arab-Malaysian Development Bank	Grindlays Bank
Arab International Bank	Gulf International Bank
BAH (Middle East) Inc.	Hong Kong and Shanghai Banking Corporation
Bank of America	Lloyds Bank International
Bank of Bahrain and Kuwait	Manufacturers Hanover Trust
Banco do Brasil	Midland Bank International
Bank of Nova Scotia	National Westminster Bank
Bank Saderat Iran	Republic National Bank of Dallas
Banque de l'Indochine et de Suez	Scandinavian Bank Societe Generale
Banque du Caire	State Bank of India
Banque Nationale de Paris	Swiss Bank Corporation
Canadian Imperial Bank of Commerce	Union de Banque Arabes et Francaises
Chartered Bank	United Bank of Kuwait

COMMERCIAL BANKS IN BAHRAIN

Algemene Bank Nederland	Chase Manhattan Bank
Arab Bank	Citibank
Bank Mellat Iran	Continental Bank
Bank Saderat Iran	Grindlays Bank
Bank of Bahrain and Kuwait	Habib Bank (Overseas)
Banque de Paris et de Pays Bas	National Bank of Bahrain
Banque du Caire	National Bank of Abu Dhabi
British Bank of the Middle East	Rafidain Bank
Chartered Bank	United Bank

broker. Nevertheless, the rates on foreign-exchange in Bahrain are already as fine as in London, and a further degree of sophistication should come into the market during February when the Reuter monitor, which provides almost instant world-wide money market rates and news, is installed in banks and brokers.

The bulk of the trading done is still in hard currencies, but trade in the Saudi, Kuwaiti, UAE and Qatari currencies is building up. Fifteen banks are active in this market; Algemene Bank, Citibank, Bank of America, Bank Saderat and British Bank of the Middle East are said to be those most interested in developing a forward market. The growth in local currency dealing reflects the increase in the number of contracts being awarded in those currencies to foreign customers of the OBU's and their need for cover for the two to three years they run.

Asked about profits, most OBU managers say they are not complaining, though it is generally agreed in the community that the going must be fairly tough for some of the more recent arrivals or those with little previous contact with the area. Opinions are divided on whether 30 or more offshore banks is too many. Some think it was essential to have as many as possible of the blue-chip banks in from the start. Others think that, apart from the squeeze on accommodation and personnel, there is not enough room for so many OBU's unless Bahrain becomes a dollar funding centre. At present Citibank is the only bank with big local sources of Eurodollars (from Saudi Arabia and Qatar) and the others have to go to London for the bulk of theirs. Citibank

also has the biggest volume of OBU assets. Its share was estimated by rivals at around \$2.5bn. when the total was \$5.5bn.

Algemene Bank was reckoned to account for another \$700m. to \$800m., leaving not quite such an impressive amount for the rest. Nevertheless, the offshore market seems firmly rooted in Bahrain already and most of the banks seem committed to it. There may be over 40 OBU's by the end of the year, depending on whether the BMA likes the applicants (it is known to want some more high quality Arab and Arab/foreign consortia names). The three latest licences have been given to the State Bank of India, the Arab-Malaysian Development Bank and the European-Arab Bank. The first two of these form a kind of substitution for Banque du Caire and Republic National Bank of Dallas which have licences but show no sign of opening. The names of two other banks with offshore licences have still to be revealed, but one is rumoured to be the Bank of Tokyo. This would be significant because it would be the first Japanese OBU and because it would be likely to stimulate the market considerably.

Sold rather than spectacular growth is likely to be the pattern for the OBU's in 1977. At the same time, with so many top banks established (at considerable cost) in Bahrain, it should become clear that the United Arab Emirates has missed the boat with its own modified form of offshore banking. The question will be not whether it can rival Bahrain as a financial centre but whether it can develop sufficiently to become a useful adjunct of the Bahrain money market.

P.F.

BUSINESS CENTRE

CONTINUED FROM PREVIOUS PAGE

service centre to the rest of the Gulf, is an attractive one to Bahrainis. The island is both geographically and historically the centre of the Gulf. During the latter days of British suzerainty in the area the British Political Resident was established in Bahrain. The early discovery of oil gave it the time to absorb change without too much social disruption and give it a foundation of relative prosperity.

One of the things that prosperity brought to Bahrain was a well-educated class of citizen. Free, but not compulsory, schooling has been available in Bahrain for three generations now, although present figures show that it is not being used as much as it ought. A sizeable and educated population is justifiably cited as one of the selling points for Bahrain. Other Gulf States are frenetically trying to catch up. Kuwait, of course, has been educating its children for more than two decades but it cannot really be a contender for the title of business centre of the Gulf with its restrictions on foreigners.

Efficient

Several generations of education and wealth have also created a reasonably efficient indigenous civil service in Bahrain. A visiting businessman commented: "I called the director of a ministry and one, the number was right; two, he was in; three, he spoke good English; four, he would answer my question; five, he did have the up-to-date figures; and six, when I received those figures later that morning, they were credible."

Bahrain's good communications also commend it as a service centre of the Gulf. The State is linked by working telephone and telex to the major Gulf States. There is direct dialling to the UAE and Qatar.

It is sometimes easier to telephone the Eastern province of Saudi Arabia than to telex. The telecommunications system did buckle with the arrival of the international banks doing offshore business.

Private citizens suffered as the business community was given priority service. Now when a call is booked to London, the telephone operator's standard remark that it will take half an hour means five minutes rather than a full hour as it did only six months ago.

Air communications, too, are very good from Bahrain's efficient airport—and not only because the island is the headquarters of Gulf Air, the region's airline. Twenty-five international airlines now have pick-up rights at Muharrag Airport and in February TWA will start another service to the U.S. The Pan Am which has only been operating for a couple of months (Icelandic Airways rather tactlessly revealed its fare tariff which is not up to IATA levels, and had to withdraw).

Apart from the concern felt by many about the new legislation, there are debts on Bahrain's bill of attractions for international business. These mostly concentrate round the high cost of keeping an expatriate manager on the island. Rents have escalated beyond all reason.

For example, a three bedroomed house of the sort that most foreign companies would consider suitable for their employees now costs \$1,200 a month in rent. Just recently it has seemed as if supply and demand have been coming more into balance, particularly at the lower end of the market. But it would only take another bright idea like offshore banking licences for rates to start soaring again.

Doina Thomas

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INFRASTRUCTURE

BAHRAIN VI

Big gaps to be filled

WHAT BAHRAIN needs almost more than anything else right now is a multi-storey car park—enormous, air conditioned, rain proof, solidly constructed, with adequate space for the washing service to operate and berths big enough for Rolls-Royces. There are now some 40,000 cars on the island, which is about 15 miles across by 30 miles long. With a population of some 400,000, most of the cars are concentrated in the two northern towns of Manama, the capital, and Muharrag, Bahrain's second city. This is but one sign of the tremendous growth of demand for Bahrain's infrastructure: in 1973 only some 15,000 private cars were registered.

There are consequently now very heavy traffic jams at the peak early morning and mid-day travelling times. It only takes a solid rain storm to flood one of Manama's main arterial roads—which seems to be happening more often in winter—or a drainage channel to be dug across one of the feeder roads—which will be happening more often in the near future—for Manama virtually to seize up. Fortunately this is a relatively new experience to Bahrain's motoring public, which still takes it with a grin—only the odd road hog, a comparative rarity, appears to confuse matters further.

The road system in Bahrain, especially in the capital, is one of only two infrastructure sectors which have been completely swamped by the post-1973 boom, which really only got under way in Bahrain during 1975. The island's import facilities, both air and sea, also went under, though not as badly as in other Gulf states.

Responsibility for Bahrain's road network is shared between the island's municipal councils and the Ministry of Works, Power and Water, which looks after the main arterial roads of the country. The Ministry's 1977 budget for these main roads has been increased from 5m. Bahrain dinars to BD7m. (\$17.5m.). The municipalities, which have the responsibility for the back streets and other feeder roads, have a budget which is derived from the 10 per cent. tax on domestic rent and 15 per cent. on commercial properties, as well as Government grants.

Traffic

The strain placed on the roads by the great increase in traffic, including many heavy duty lorries for the aluminium smelter, two prefabricated house factories and the construction industry's own ponderous traffic, has also had a deleterious effect on the pipe system under and beside the roads. If a road appears flooded when there has been no rain it is usually because of a severed water pipe. The problem is occasionally exacerbated by overflowing domestic cesspits in the back streets of the older parts of town, leading to sudden swallow holes in the ground.

Consequently the improvement of the drainage, sewage and water distribution systems has a high priority in Bahrain. The Works, Power and Water Ministry has a budget this year of BD14m. to renew and strengthen the water distribution system. At present the existing system carries some 12-15m. gallons of water a day

of which about 5m. gpd is desalinated water. Pumping and mixing stations to bring the desalinated water into the somewhat brackish supply from underground sources are also included in the 1977 budget. At the present most of the desalinated water goes into the pipelines for Isa Town, the island's expanding new township between Manama and Rifa'a in the centre of the island, where the Amir of Bahrain, Shaikh Isa bin Sulman al Khalifa, lives.

The highest priority is being given to the drainage and sewage scheme, since the present situation is beginning to be viewed as a danger to health. Bahrain mostly has a natural soakaway cesspit form of drainage, but this is not standing up to the rate of new construction. (Also in many parts of the island the water table is quite close to the surface, further aggravating the problem.)

Phase one of the scheme, drawn up by British consultants D. and M. Watson, will consist of laying pipelines to the proposed new treatment area, which will be situated on reclaimed land at Tubli, just south of Manama. It is also considered a high priority to connect densely populated Muharrag Town—which has some of the oldest housing stock in the island—with the main drainage pipe. Expenditure this year will be BD14m. and the total cost of the project is estimated to be around BD70m. for Manama and Muharrag alone.

It is hoped that the system will be fully operational in four years time and that the first contract for pipelaying and

pumping stations can be awarded in June. By October, the Minister for Works, Power and Water, H. E. Majid al Jishi, hopes to have agreed the contract for the treatment plant itself. The contracts are likely to be on a fixed price basis with the usual escalation clauses but with a ceiling on the possible increase. Fortunately, Bahrain has as yet no heavy water-using industries, and the only power-intensive one, the aluminium smelter, creates its own power by gas turbines using gas direct from Bahrain's Khuff gas field.

Forewarned

The electricity supply has stood up remarkably well to the increase in demand in the past year, and the public was forewarned about the few power cuts that did occur last summer. Compared with optimum capacity of 220 MW, peak load in the summer months was 180 MW compared to a level of 40 MW in the depth of winter. (If Bahrain goes on experiencing increasingly cold winters this may rise somewhat as heaters are bought.) With an adequate margin in hand there will be no need to install new generating equipment this year.

The Ministry is, however, masterminding a vast development plan for Bahrain's main cargo port, Mina Sulman, which has suffered not only from the onslaught of cargo destined for sale in Bahrain but also from transit cargo for other Gulf destinations. In short the port's problems can be summed up in the limited number of berths (unchanged since it was built some 15 years ago), the lack of warehousing and warehousing systems, the equipment used and the manpower organisation.

Plans for the expansion of the port were drawn up by British consultants Rendel, Palmer and Tritton. The main contract was let last year to the French offshore consortium, Dedin-Bouyges. During last year two finger piers were added and the number of berths increased from six to eight.

In the course of this year the number of berths should reach 11 and by 1980 there should be some 16 berths at a cost originally estimated at BD42m.

This blitz on the port congestion has had its effect. Although local merchants still moan about the value of their apparently permanently mislaid cargo, waiting time is now down to around a fortnight, with a subsequent reduction in port surcharges 30 per cent. and under. There is some secret glee among those associated with Mina Sulman's management that for once Dubai port is in worse state than Bahrain's. At the beginning of January, Dubai waiting time was up to 65 days and it was closed to transit cargo.

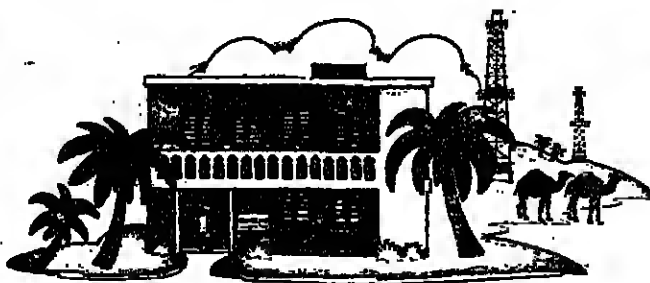
Another aspect of the onslaught on Mina Sulman's problems was the auction of cargo that had been left in the port for more than six months. It took place in the third week of January, and officials hoped it would be a salutary reminder to merchants to store their goods on their own premises. At the same time a large land area on Sitra island, near the port, is being cleared to become a warehousing area for cars, steel, timber containers and other commodities which tend to stay in the port for more than two months. It is planned that the new warehousing site will have its own customs office, and estimated cost is around the \$3m. mark. All this in preparation for the expected 2m. tons of cargo during 1977.

There are a limited number of expatriate western port managers at Mina Sulman but some Far Eastern labour is being brought in to work on the dock. Bahrainis have found more remunerative and less onerous work elsewhere.

The next two to four years in Bahrain are going to be years of physical chaos as the port expands, as the roads are strengthened after the drainage and water pipes have been laid, as the new office blocks fill up with more office workers. Residents, Bahraini and expatriate alike, will doubtless grumble. But as the businessman in the Hilton bar (relaxing after a difficult fortnight in Riyadh) remarked: "Bahrain at the moment is like a teenage girl, a bit spotty, gangly and awkward—but what promise for the future!"

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MANPOWER

Finding the right balance

FOR MANY years now the Bahrain Government has been well aware of the long-term need to provide jobs for its relatively well-educated and rapidly expanding population. Generally estimated at 3.5 per cent., the latter's annual growth rate is one of the highest in the world and sufficient to double the number of people on this group of crowded small islands in about 20 years. The conclusion of a recent survey was that a nation-wide programme of family planning should be implemented—if only to reduce the average size of families from seven to five.

Taking the long-term view appearances now may be deceivingly reassuring, with the demand for labour as high as elsewhere in the Gulf and employment as full as it could be—to the extent that expatriates now exceed Bahrainis in gainful occupation. By the end of 1976 the work-force exceeded 100,000, of whom 60,000 were non-Bahrainis. This compared with a 1971 total of just over 60,000, of whom 37 per cent were expatriates.

Just how predictions have been upset by the economic boom can be seen from a study by the Ford Foundation published three years ago which projected a labour force of only 81,000 by 1986. At present,

it should be added, only 6-7 per cent of women—generally the better educated—work outside the home.

Over the last two years the acceleration of construction activity has led to an almost three-fold increase in the number of artisans and technicians from 12,000 to over 30,000. The development of Bahrain as a financial and commercial centre has also stimulated the demand for manpower in banking, insurance, accountancy, hotels and catering, and the civil service which local resources have been unable to meet.

Waiting

In the short term jobs are ready and waiting for every Bahraini willing to work. However, providing the right opportunities and the right training is a difficult task confronting the Government. It cannot approve a situation in which its own nationals fill lower paid jobs while expatriates hold posts of responsibility. Equally, the Government must be aware of the political dangers of having educated people unemployed. Despite the present high demand for expatriate labour there may be a surplus of Bahrainis in ten years time in both the professional and unskilled categories.

At the upper end of the scale too many Bahrainis are reckoned to be receiving higher education in relation to future job opportunities. Apart from the 1,000 full or part-time students at the Gulf Technical College, 3,000 more are attending universities, polytechnics and training colleges outside Bahrain. The Ministry of Education would prefer more students to terminate their schooling at 14 or 15 and then proceed to apprenticeships and vocational training, rather than follow an academic course in secondary schools to which they are often not suited. Manpower planners have recommended restricting the number of highly educated entrants to the labour force in order to concentrate on the middle range of skilled and semi-skilled categories where the shortfall in local resources is likely to last longer.

Great stress has been placed on the expansion of the secondary technical schools. But even with a tenfold increase in graduates, they could not meet the pre-cut demand for craft and commercial skills. Since more than three-quarters of the potential work force never reach this stage of education at all, training must be made available to them in their job situation.

The establishment of vocational and in-plant training schemes forms an integral part of the Labour Law for the Teachers Training Colleges,

Private Sector, which became effective in August last year. A national authority known as the High Council for Vocational Training—on which the interests of government, employers and workers are represented—was established in October, 1975.

Reporting to the High Council is the National Vocational Training Development Unit, formed with the assistance of the International Labour Organisation (ILO) and UN Development Programme (UNDP). Its range of activities includes the identification of training needs, follow-up studies and evaluation, the initiation of training schemes, setting up National Standards, and skill testing.

A pilot scheme established by the Unit to upgrade the skills of construction workers has had a limited success, but more positive and enduring results are expected from the appointment of qualified training officers, in accordance with the legislation in every company employing more than 200 workers. The response from employers has been good, and some have appointed Bahraini counterparts to gain experience under expatriate training specialists.

To reduce the Ministry of Health's dependence on expatriate skills, a new College of Health Sciences opened in October last year, with an integrated training programme for nurses, X-ray and laboratory technicians, assistant pharmacists, and public health inspectors. The initial enrolment of nearly 250 students includes 96 entrants to the practical nursing course, which requires only the completion of intermediate schooling at about age 15. The College was proposed by a project team from the American University of Beirut (AUB) Services Corporation, which signed a contract for manpower development and some aspects of administration with Bahrain's Ministry of Health early last year.

To reach the planned target of 7.5 hospital beds per 1,000 of the population, Bahrain will need at least 300 doctors. At present only 35 qualified professionals are working in their own medical service, which relies heavily on doctors from other Arab countries and from the Indian sub-continent. But more than 100 are undergraduate students of medicine abroad, and another 35 are doing post-graduate courses.

In the Ministry of Education, just over 75 per cent. of teaching staff are nationals, but they are concentrated in the primary and intermediate schools. This is because a four-year training course will not be available locally until the Teachers Training Colleges,

CONTINUED ON NEXT PAGE

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	GF018	2045				0735	0925
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OIL AND GAS

BAHRAIN VII

Declining assets

SOMEWHAT belatedly Bahrain followed the other oil producers in the region by establishing its own State petroleum corporation, the Bahrain National Oil Company, now known as Banoco.

Its creation was announced in February but it did not formally take charge of the State's 60 per cent shareholding in the Bahrain Petroleum Company until July—just one year after the participation agreement came into effect. Then last month it took over local sales of refined products in the State itself.

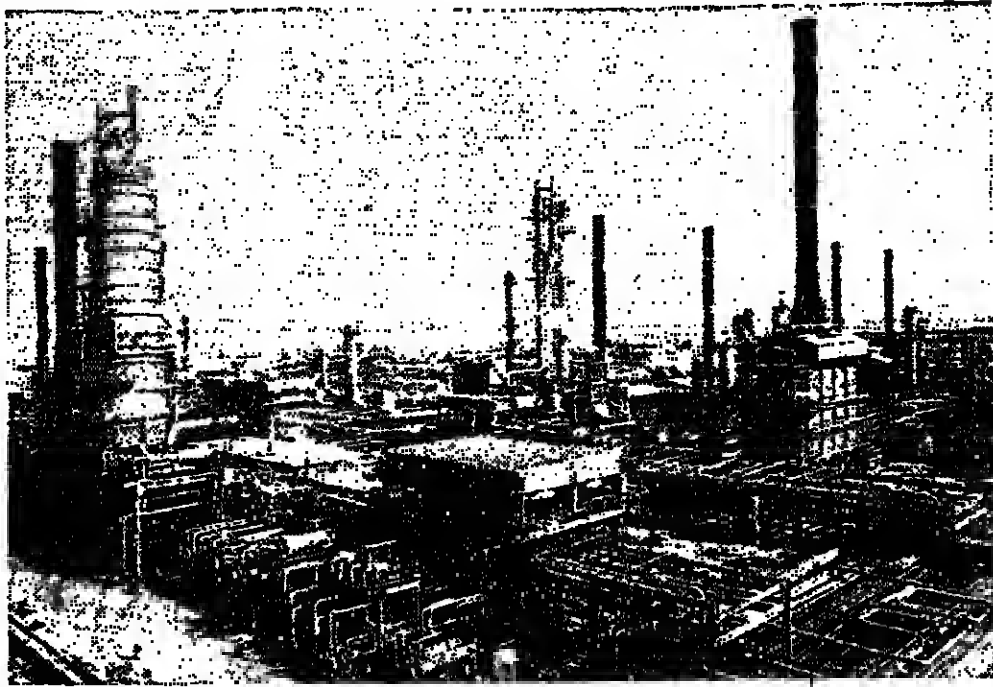
Like other oil corporations of the producing States, Banoco has a very broad charter. It can undertake exploration, market overseas and refine, store and transport hydrocarbons or their products. So far, however, it has only assumed responsibility for internal distribution. On December 16, National Day, the announcement was ritually made about the formal transfer of the business from the Bahrain Petroleum Company in which Caltex, the 50:50 joint partnership between Standard Oil of California and Texaco, still has a 40 per cent share.

This might appear to be a very ambitious start to life. But Mr. Hassan Fakhroo, Banoco's General Manager and a former Bapco employee, points out "We must work within our means"—referring to the question of manpower as well as money. Even so, it is financial constraint which is paramount.

Historically, Bahrain is the oldest of the Middle East producers after Iran and Iraq—but it is now the smallest with an output which will be exceeded by the fields of the North Sea.

Revenue from indigenous production of the on-shore field whose life is limited to 20-odd years of declining output is expected to be no more than \$190-\$200m. this year. Income from the off-shore Abu Safa field shared with Saudi Arabia should amount to another \$175m. or so. Together they will account for some 70 per cent of state revenue—hardly the kind of programme on which the Government can contemplate Banoco commissioning ambitious projects given its much more basic and necessary spending obligations.

The outward signs of activity of Banoco in the local market (it does not yet handle aircraft refuelling or some bunkering supplies) are the occasional road tanker in a new red, white and black livery and one retail outlet which now carries the Banoco illuminated sign in place of the old Bapco one. But gradually all the island's existing filling stations, now privately owned, will be converted to the new livery. A new one will not be built but Banoco has a \$5m. capital programme to



A view of the Bapco low-sulphur fuel oil unit.

invest in retail outlets of its own. These are badly needed given the increasing size of the motorist public and the main towns.

But inwardly, in conjunction with Bapco and others, it is looking at a range of feasibility studies, not the least about the gathering and utilisation of associated gas. Mr. Fakhroo is looking for assistance from outside, including capital participation in any projects reckoned to be viable. Banoco, with Government authorisation, is allowed to enter into joint venture arrangements with other companies, Bahraini or otherwise.

Progress

It is also being kept informed of progress on the current pet project of Alba, Bahrain's smelter. This is to investigate the possibility of producing coke from petroleum to make the carbon anodes of which it uses 450 half-tonne units daily—which at present are imported from the U.S. Alba is working on this project with Bapco and 1,000 tonnes of Saudi petroleum coke is to be used as anodes in Alba's potrooms on a trial basis. Until recently it was thought that Gulf crude had too high a sulphur content to be used for carbon anodes but the Bahrain refinery has a relatively new desulphurisation unit, installed at a cost of some \$60m., which was commissioned at the end of 1973.

Even if it were possible to produce coke to the right specifications some investment in coking facilities would have to be made. As well as controlling the sulphur content, the specifications for the coke are very strict as far as its vanadium content is concerned. The project has been under study

for about a year. As one oil man associated with the project commented, "Economics are going to dictate the priorities on this, we have to establish the cost of a coking plant and we must always bear in mind that if we can do it, so can someone else."

Bapco is still sole owner of the refinery, the oldest in the Gulf, because for financial reasons Government did not take a stake in the plant. The official rated capacity of the refinery is some 250,000 barrels a day and during 1976 throughput nearly reached 219,000 b/d. Just under 60,000 b/d come from the State's own oilfields with the remainder being piped from Ras Tanura in Saudi Arabia.

As the refinery is an old one a constant programme of "defensive" maintenance is in hand at a cost now running at \$25m. annually. In 1974 a programme to improve the refinery's throughput was started and an additional 27,000 b/d capacity was achieved. By the end of 1975 the installation of stainless steel internals in the fluid catalytic cracking unit regenerator had been completed. This project not only increased the life of units but also appreciably shortened the maintenance shutdown periods.

The completion of the low sulphur fuel oil units (LSFO) was of major importance to the refinery as it improved the quality of its output. The units enable the refinery to produce around 50,000 b/d of low sulphur (around 0.5 per cent) fuel oil. They consist of a 62,000 b/d vacuum distillation unit, a 55,000 b/d vacuum gas oil hydro-desulphuriser, a sulphur recovery plant of 150 metric tons capacity and a hydrogen manufacturing plant that can produce 27m. cu. ft. a day. There is a sea water

distillation plant to provide the unit's water needs.

Bahrain's on-shore oil lies mostly in shallow zones, the deepest being 2,300 feet below the surface. The fields are coming toward the end of their active life. At present secondary recovery methods are used in some wells and tertiary methods of recovery are actively being studied. Mr. Yousef Shirawi, Minister for Development and Industry, has said that production will decline at a rate of around 3 per cent a year. Predictions about oil production and the life of oil fields is that they are constantly being outdated by technological developments and the increase in the price at which it is economic to produce more oil. But even on optimum assumptions Bahrain's oil reserves have been put at about 300-350m. barrels.

Some 10,000 feet below is the Khuff gas field. Since 1971 it has fuelled the aluminium smelter but even now its reserves have not been estimated with any precision—although a figure of 6-10 trillion cubic feet is suggested. Current production from Khuff is about 300m. cubic feet a day of which a third goes to the aluminium smelter to generate its power. Up to another fifth is used in the Sura power and desalination plants and about a quarter is used for secondary recovery of oil by gas injection.

At the moment there are no plans for processing the gas in any way though these have not been totally ruled out for the future. The availability of this large quantity of dry gas was a major factor in the economics of the smelter and considerably reduced the costs of running the power and desalination plants more of which will be required in the future.

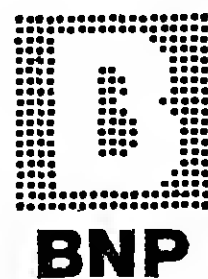
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MANPOWER

CONTINUED FROM PREVIOUS PAGE

which remain segregated, move to their new premises in Isa Town next year. There has been a considerable wastage of male teachers, 300 of whom left the education service last year for higher paid jobs in industry and commerce.

About 100 Bahraini professional engineers have formed a flourishing society which also welcomes expatriates. However, engineers are still in short supply, while the number of Bahraini lawyers, architects, college lecturers and computer staff remains small. Many of the best brains are undoubtedly snapped up by the Government as administrators, but family businesses provide a rival and often more lucrative attraction.

Permits for the importation of foreign labour are issued only where vacancies cannot be filled locally. But although a primary objective of the Labour Law is the protection of the Bahraini worker, the provisions governing conditions of work apply without discrimination. The market of supply and demand is reckoned to have rendered a basic minimum wage unnecessary, and a typical

daily wage for unskilled contract labour is estimated by the Ministry of Labour and Social Affairs as BD2,500 to BD3,500. The lowest paid Government employees and some categories of expatriate workers are certainly earning less. At the other end of the scale, a skilled—but not necessarily well-educated—welder could be earning BD500 a month, according to Director of Labour Khalifa Khalifa.

Although the application of the Labour Law, with its insistence on work permits for expatriates, work cards for nationals, and proper records from employers, has enabled a much closer watch to be kept on the manpower situation, there are certain impracticalities and areas which will require clarification. An example is the restriction of working hours to six a day during Ramadan—which has not in practice, extended to non-Moslems. The virtual ban on overtime, beyond the basic 48 hour week, has made it difficult for some contractors to meet deadlines, prompted the importation of extra labour, and

denied employees the chance of making extra cash.

The Social Insurance Law is being introduced in stages, in the absence of an army of civil servants able to cope with its application nation-wide. Employers of 1,000 workers or more were the first to be brought into the scheme on October 1. The general provisions of the law extend to a full range of social insurance, but temporary sickness, maternity and unemployment benefits are not contemplated at present, nor are family allowances or insurance for the self-employed. Pensions are payable normally at age 60, or for women at age 55, after a specified number of contributions, irrespective of national status. There are provisions for lump sum payments or earlier pensions at a reduced rate, but all existing provident funds have been frozen, and it is not possible to opt out of the national scheme. Employers contribute 11 per cent of a worker's total monthly salary, plus a further 3 per cent, (reduced if he provides private medical facilities) as cover against employment

accidents or occupational diseases. Employees contribute 7 per cent of their salary to the scheme, and are entitled to a leaving indemnity for past service prior to participation in the Social Insurance Fund.

There are those who see agitators influenced by foreign countries at the root of every problem. In practice, it is hard to divorce politics from labour relations. There seems little doubt that in 1974, a year in which there were no fewer than 32 strikes, the June confrontation at Alba was induced by subversive elements—in a deliberate attempt to embarrass the Government through an industry in which it is a major shareholder.

In 1975, when the National Assembly was dissolved, the number of strikes dropped to six and Alba initiated a scheme for joint consultation between management and employees, similar to the one now embodied in the Labour Law. Trade unions are still illegal, but joint consultative councils are to be established in every large company, with equal representation from both sides.

Alba's management does not pretend that the negotiating machinery is the panacea for every industrial relations problem and is aware that the labour representatives whom it meets face to face are not the real leaders on the shop floor. Nevertheless, it can point to a sickness absence rate of less than 2 per cent for 1976, compared with a British industrial average of 8 per cent, and 10 per cent in Sweden. In an industry which does not offer the easiest working conditions, these figures are not consistent with any deep-seated dissatisfaction.



The Higgs and Hill Group have formed a wholly-owned subsidiary company to operate in Bahrain under the name Higgs and Hill Bahrain Limited.

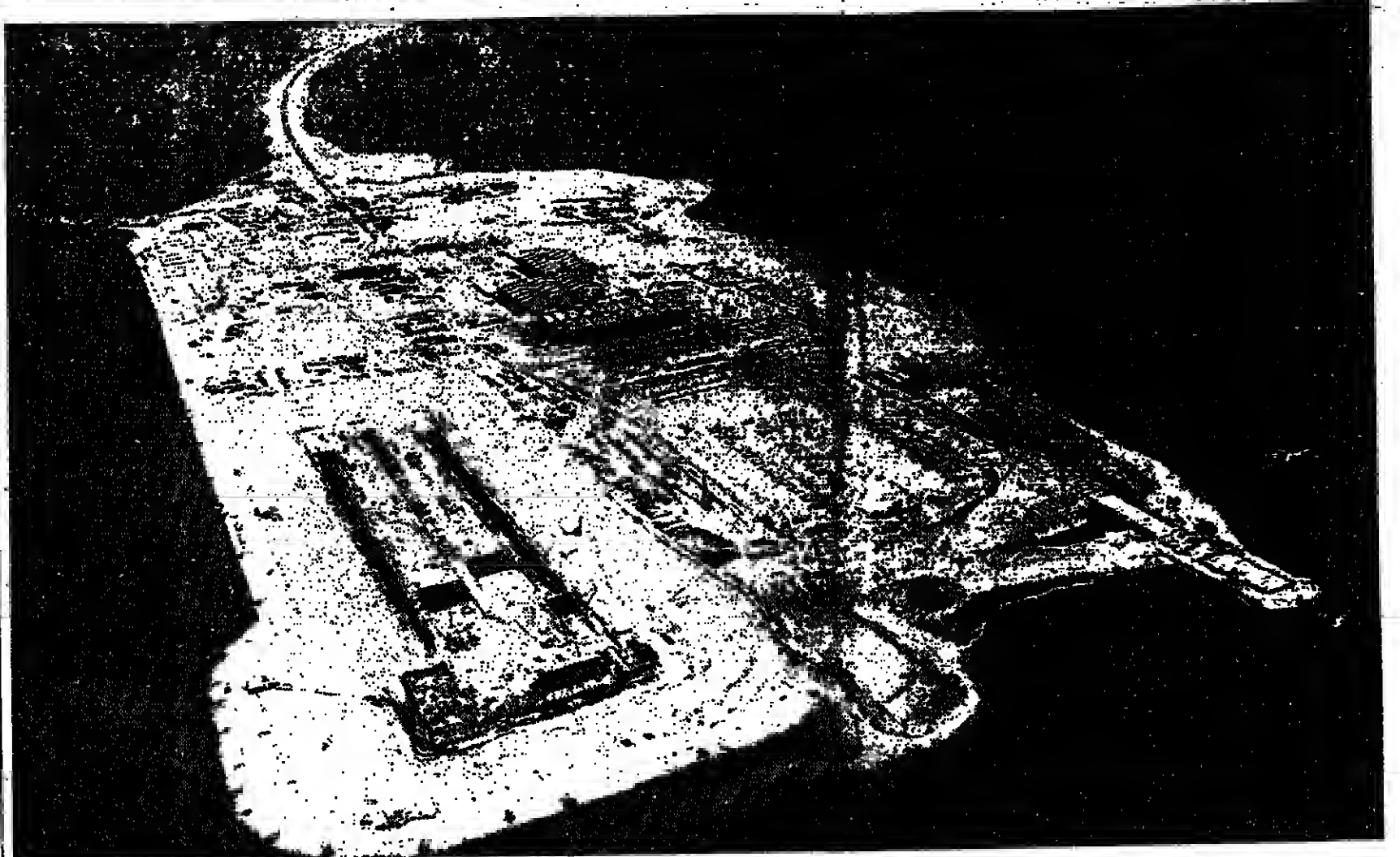
The new company has already been commissioned to carry out two important management contracts for the construction of an 18-storey office, store and residential development, "The Bahrain Tower", and a low-rise multi-purpose building with shops, offices, hotel and printing press accommodation.

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DRY DOCK



The Arab Shipbuilding and Repair Yard takes shape.

Man-made miracle

ON A man-made island at the end of a seven-mile causeway off the north-eastern tip of Bahrain 2,000 South Koreans continue to beaver away frenetically with the construction of the Arab Shipbuilding and Repair Yard (ASRY). Hyundai Construction will probably not finish it by the originally scheduled July deadline, which always looked problematical, but the facility is now expected to be ready to receive its first vessel in October before formal inauguration in December. No one, least of all the Bahrain Government, is complaining about progress as the Organisation of Arab Petroleum Exporting Countries (OAPEC) project takes shape. Nor do the owners appear to be concerned that the cost—set at \$145m in the contract signed two years ago—will probably be double that amount.

Having built a special jetty to accommodate freighters, Hyundai has not been hampered by the port congestion at Mina al Sulman port. Working round the clock seven days a week with an intensity which amazes the Gulf Arab, the Korean task force has now given a recognisable form to the giant cavity on the 450-square-metre artificial island. The dock—375 metres by 75 metres with a depth of 12 metres—will be able to accommodate very large crude carriers (VLCCs) up to 500,000 d.w.t. Eventually it should employ over 1,500 skilled workers acting as a catalyst for the area in terms of technical training and also possibly generating ancillary engineering industry.

and the first substantial invasion of Korean bards has landed in the Gulf. In that period the ASRY project met many setbacks and difficulties—not the least in finding a suitable Western partner able to furnish the design expertise and provide management in the future. Originally the idea had been to seek equity partnership with one of the world's best established ship repairers, but none was prepared to accept accountability for profits when faced with the labour shortage in the Arabian Peninsula and the collapse of the tanker market.

Finally, in the 1974 OAPEC secured the services under contract of Lisnave, the Portuguese ship repairer and arguably the leading one in the business, as the managers of the project. It is their involvement that gives OAPEC hope of establishing an industry capable of holding its own in the world and, in particular, meeting competition from down the Gulf, where Dubai has embarked upon an even more ambitious scheme. The duplication is, certainly, deplored but some wry satisfaction is derived from the fact that the rival Emirate has yet to hire any management, let alone one of Lisnave's expertise, or start a training programme.

For speed of implementation OAPEC could not have done better than Hyundai for the main contractor. It scored by being able to bring in its own complete skilled work-force and substantially under-bid other competitors. Its contract is understood to make allowance for cost escalation up to a certain ceiling which may now be exceeded. Even if the client does not take a lenient view, then Hyundai will probably regard the loss as worth it. The contract obtained the company a foothold in the Gulf and now it is using Bahrain as a supply base for an enormous port project across the water for which it won the contract last year. As it is, there has been no problem about extending the completion date.

Dredging work by the Anglo-Dutch Falco Consortium had begun before the signing of the contract on the basis of studies by Sir Alexander Gibb and Partners, which was later joined by Profabril of Lisbon. Under subcontract the local company Ahmed Mansour Al Ali has been responsible for the causeway and Cavaco of Portugal for the dewatering, while Hamburger of West Germany has provided steel for the training school. Hyundai itself installed an entire cement works, whose profile can be seen clearly across the bay from Manama. It is also producing for the Saudi project, too.

Dubai left OAPEC in protest against the choice of Bahrain and its Ruler determinedly set about pursuing his own projects. Now the main shareholders in ASRY are Bahrain, Saudi Arabia, Kuwait, Qatar and Abu Dhabi, while Iraq, Egypt and Libya have nominal holdings.

Capitalised at \$300m, it is being financed by low-interest loans from the member states. For an indefinite future after it starts operation, losses (which could be substantial) are anticipated. It is not clear whether these will be carried in proportion to shares in the project. However, with the massive backing of oil funds, especially Saudi Arabia, which is probably prepared to carry the burden alone, profitability is not the prime concern. More important are the political con-

siderations—both in the wider pan-Arab context and the narrower local one.

Earlier, consultants had picked on Damman on Saudi Arabia's Gulf coast—not apparently having taken account of the dearth of suitable labour there. In this respect Bahrain looked a much better prospect with a large, prospective surplus of much more adaptable manpower. Anxious as ever about Bahrain's long-term health and stability, Saudi Arabia appreciated the need to create more long-term employment opportunities on the island. Now the irony is that ASRY is having to compete as hard as other big companies for recruits from among the school leavers. Recently, CASRY advertised for entrants in the Arab Press abroad and was inundated with 2,000 replies. Of the 200 suitable applicants many had to be ruled out because their countries of origin were not considered suitable.

demand exists to keep one modern yard fully active in the Gulf—but not two. Hence the concern about Dubai's project and the somewhat uncertain Iranian plans for another at Bandar Abbas. In the OAPEC camp, however, there is confidence that in the

ASRY would suffer a first phase capacity has been discussed. But for the foreseeable future ASRY would appear to have as much on its hands as it can cope with. R.J.



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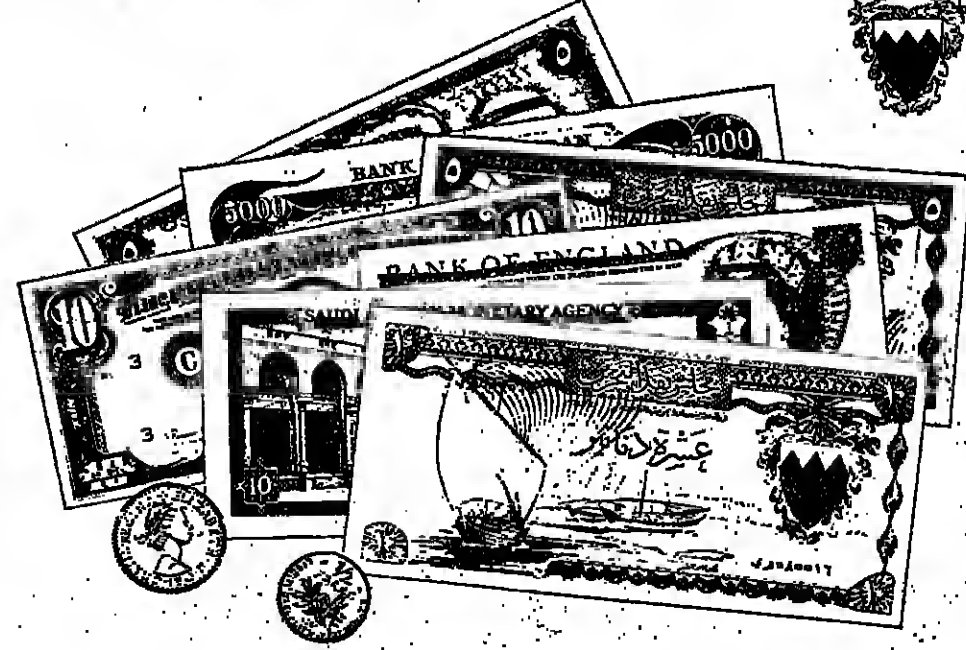
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Proposed

It was as long ago as 1968 that Sheikh Ahmed Zaki Yamani, the Saudi Minister of Petroleum and Mineral Resources, first proposed the construction of a drydock for the VLCCs to be constructed in the Gulf as the first project of the Organisation of Arab Petroleum Exporting Countries. It took no less than six years before the details were agreed

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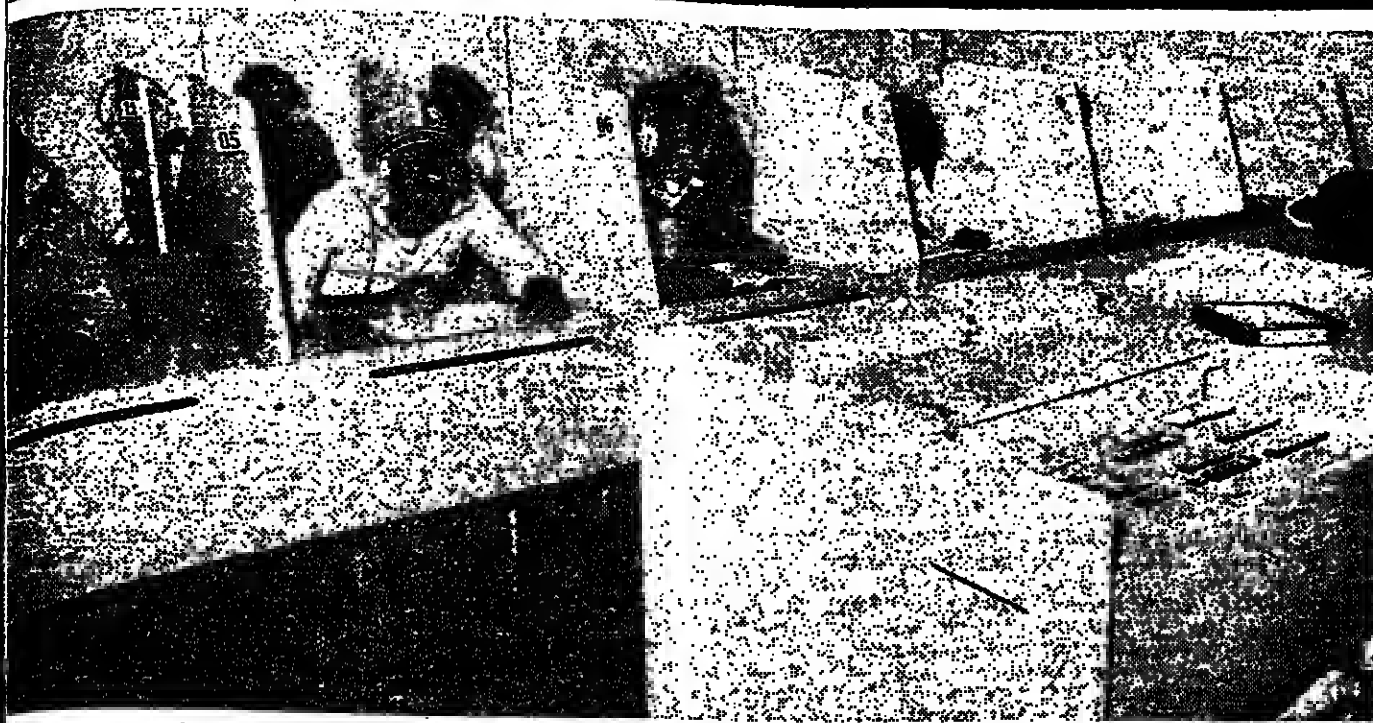
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ALUMINIUM

BAHRAIN IX



A language laboratory at Aluminium Bahrain where employees are taught English.

Project pays off

IT SEEMS somehow appropriate that Bahrain, the first of the Gulf States to produce oil, should also have been the first to undertake a successful large-scale industrial diversification. Aluminium Bahrain (ALBA) started production in 1971—two years before Qatar's fertiliser plant—and remains the biggest non-hydrocarbon industry in the region outside of Iran.

When the project was first conceived as an idea in 1968 it was greeted in some circles with scepticism even outright amusement.

Alba admittedly had its teeth-biting troubles and inevitably has been affected by the cyclical swings of the international market. Yet by 1975 it had triumphed over its many vicissitudes, which also included the labour trouble of 1974 and the fire of 1975. Last year production at 122,058 tonnes exceeded rated capacity by over 5,000 tonnes and generated sales worth \$120m.

The Alba project was originally undertaken at the initiative of an international group of aluminium users and predominantly owned by them with the Bahrain Government holding only a minority share. They picked on the site for a number of reasons. One of the prime attractions was the existence of the cheap source of natural gas in the Khuff zone. Another was Bahrain's geographical position conveniently placed to receive aluminium from West Australia on the one hand, and close to markets on the other.

A third was the keen interest of the Bahrain Government which was anxious to create new employment opportunities.

After several changes in the mix of ownership the State only received a majority holding in May 1975, through the purchase of the 12 per cent share of Elektrokoppar. Subsequent acquisition early in 1976 of Amalgamated Metal's 17 per cent stake and then the Western Metal Corporation's 8.5 per cent, gave the Government 77.9 per cent. Its remaining partners now are Kaiser Aluminium Bahrain (17 per cent).

To achieve its rated capacity of 120,000 tonnes the smelter needs to consume 234,000 tonnes of alumina, 53,900 tonnes of petroleum and coke, 14,300 tonnes of pitch, 4,200 tonnes of aluminium fluoride, and 3,000 tonnes of cryolite. Supplies are unloaded at the company's own small jetty at the end of which, on an artificial island, the alumina pellets and coke are stored. The terminal is now linked with the main Bapco causeway, so Alba is no longer totally dependent on the 6-mile aerial ropeway. The plant's 300-MW power station requires 115m. cubic feet of gas daily.

Despite adverse market conditions the plant was well on target for full production in 1975 before a fire in November of that year shut down two of the four pot rooms for a brief period. Shipments were boosted by the agreement reached in the middle of that year to sell 5,000 tonnes to China and also some stockpiling. With 2,000 Bahrainis on the pay roll it was employing about 1 per cent of the indigenous population and probably providing a livelihood for as much as 7 per cent.

At the same time Alba has led to the creation of three ancillary industries. Bahrain Atomisers International, the aluminium powder plant, has been operating since 1973 with a capacity of 3,000 tons annually. It too has a Government majority holding with the balance of about two-fifths of the equity being owned by Breton Investments of West Germany to which the bulk of the production is exported. An extrusion plant wholly under State ownership called Balexco is being constructed by Aluisse which will also provide the management expertise. It will have a capacity of 3,000 tons, mainly for door and window frames.

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HILTON INTERNATIONAL

Reflection

Now firmly planned by the private sector is a \$10m. aluminium cable factory—an interesting reflection of the Bahraini merchants' confidence in the industrial future of their country and its potential as an exporter to other Gulf States. Alba will be producing about 1,000 tons for use mainly by the local construction industry, whose demand is estimated to be about 800 tons. In its first year, but the rest will have to be sold abroad. All three ancillary plants based on Alba's output will have to be export-orientated because of Bahrain's limited demand. As such, however, they will add to the State's foreign exchange earnings.

Although the three aluminium-using plants are together expected to take about 18,000 tons of ingot a year from Alba, they are still very small clients for the smelter. Most of Alba's production—the two minor shareholders take just over a fifth of the output—goes to Japan although sizeable orders from Iraq as well as China have been won.

The Japanese took \$42.5m. of ingots in 1975. During 1975 the company had started to stockpile ingots, as an alternative to cutting back production which would have been expensive to restore, and it accumulated some 60,000 tons of metal as the Japanese demand fell off.

However, the market for aluminium has since picked up with the world price for free market ingots standing at around \$940 per tonne in mid January. Alba's production is about 1 per cent of the "free world's" (that is non-Communist) market.

Most aluminium ingot is produced by vertically integrated companies which process it further before selling to third parties. This enhances the importance of Alba because it is one of the bigger producers untied to outlets. It is not easy to increase production at

Strike

The early days of the smelter were far from easy. A first problem was to introduce the idea of industrial work and discipline to a labour force with no tradition of working in any kind of industry—and certainly not heavy industry. The consequence was a certain amount of unrest among the first employees culminating in a trial of strength strike in 1974 which lasted a good few weeks.

A rectifier fire closed half the company's production capacity at the turn of 1975; within a month the plant was fully operational again. This could only have happened if the management and the labour force had reached a high degree of understanding.

When the Alba project was first discussed, one of the Government's priorities was to create employment for its own people. Bahrain's economic boom and the offshore-banking venture have slightly altered attitudes. The question is not now just plain employment, but skilled employment which would enrich the labour pool, and the lives of the people.

The smelter now has a nucleus of Bahrainis who have been with the company since its inception and who have moved up into supervisory and management positions. Of the total labour force of some 2,500 only 500 are non-Bahrainis—and that is counting in all the Pakistani shop-floor labour as well as the Western management.

A third of all the supervisory positions are occupied by Bahrainis, and this despite the recent attractions of desk jobs with the burgeoning banking sector or of forming some firm of mechanical or construction company of their own. (However, some Filipinos are being brought in on the mechanical service side.)

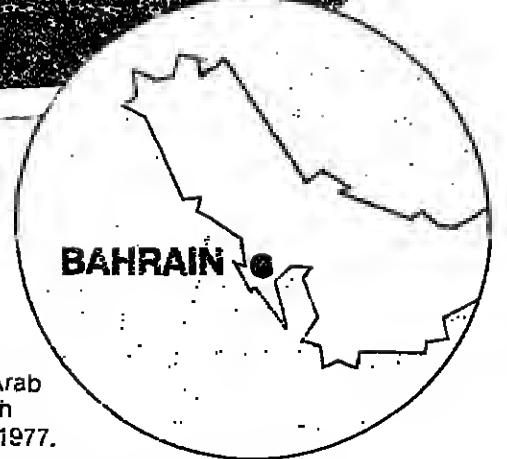
Alba is now sufficiently well established for it to be judged against commercial yardsticks as well as its ability to meet government priorities. The value of its 1976 output was roughly \$120m.; almost all of it sold outside Bahrain. This means that Alba generated around \$48,000 gross foreign exchange per employee. This works out at a gross figure of \$480 per man, woman and child in Bahrain, assuming a population of a quarter of a million. The projected per capita oil revenue for Bahrain in 1977 is \$1,500 if the contribution from the shared Abu Saafa field is included. Bahrain's own indigenous on-shore oil operations is generating about \$790 per head.

If this measure of success can be achieved by other industries based in Arab states of the Gulf, then Western industrialised countries should regard their plans more seriously than perhaps they have done hitherto.

D.T.

U.B.A.F.

يو با اف



Establishment in Bahrain of an off-shore banking unit of

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PROPERTY

BAHRAIN X

Boom in homes and offices

SIX MONTHS AGO the manager of a highly reputable international bank was known to be looking for a house to rent in Bahrain. It was rumoured in the market place that he was about to take a three-bedroom, three-bathroom new house for around \$3,250 a month—excluding the 10 per cent municipality tax. But he stayed in the Hilton (\$75 a single room per night) and his wife and children stayed back home until he found somewhere cheaper. His bank had flatly refused to pay such a rent for just one of the three executives who were going to live in Bahrain.

That heroic stand probably marked the peak of the domestic rental market in Bahrain. There is now an element of choice in the marketplace, especially at the two-bedroom bachelor flat level, and it is possible to haggle over rental terms. Houses with three bedrooms, bathrooms and a servants' quarter which some three months ago were going for around \$2,000 a month are still available at that price. Landlords can still be persuaded to take only a quarter's rent in advance, unlike the situation in the two principal States of the UAE where payment two years in advance is not uncommon.

The private property boom in Bahrain over the past three years has been astronomical but not, as in other Gulf States, a direct result of Government spending of increased oil revenue. In fact the first signs of an upturn in Bahrain's private property market can probably be traced to the decision to build an aluminium smelter (ALBA) in Bahrain with the consequent import of technically skilled expatriate management. The housebuilding programme that resulted,

though small in number by present standards, was the first sizeable building programme for European-style houses since the oil town of Awali was built back in the thirties and forties.

It started at the beginning of the seventies and it was rapidly followed by the Gulf States' decision to base Gulf Air on Bahrain: the OAPEC decision to build its dry dock on the Bahrain coast; and the Bahrain Monetary Agency's invention of offshore banking licences which were so well taken up by the world's banks. Almost every second house in Manama, the capital, now seems to be tagged with a Gulf Air serial number, housing either air hostesses in bulk, pilots and their families or the managers. While ALBA is probably the largest employer of Bahrainis in the island, Gulf Air is probably the largest employer of expatriate labour—though an intensive programme of "Arabisation" is under way.

Demand

As demand overwhelmingly outstripped supply—and houses cannot be built at that quickly—rentals inevitably rose sky high. There was also a tremendous rush to establish "contracting and maintenance establishments" by all Bahrainis with a bit of money to spare. These companies varied from direct result of Government spending of increased oil revenue. In fact the first signs of an upturn in Bahrain's private property market can probably be traced to the decision to build an aluminium smelter (ALBA) in Bahrain with the consequent import of technically skilled expatriate management. The housebuilding programme that resulted,

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ably the most successful of these was the Viking system; the local company had put up a couple of hundred houses or so before it went bankrupt for reasons yet to be officially determined. (Locally rumoured reasons are many and libellous.)

Now the island boasts two established systems of prefabricated housebuilding which are being produced on a large scale. The first to get started was the French Camus system under the United Building Factories name (this system has also been used by British local authorities). The second was the "Mod L" system, devised by the Building Research Establishment in the U.K. and taken on here by a joint venture between Tarmac and Abdulla Nass.

Both systems are geared to high output and are also aimed at the Government's low-cost housing schemes. The 1976 budget allocated some \$74m for low-cost homes, and a further \$29m has been allocated for 1977 in addition to the \$73m for work in progress.

The laws of land ownership in Bahrain dictate that only Bahrainis or 100 per cent Bahraini companies may own land—in recent years this privilege was extended to Kuwaitis, who are spending a great deal on social construction projects in the island through the Kuwait Technical Office. In theory Bahrainis are allowed to buy land in Kuwait but administrative complexities as well as land prices act as a deterrent.

Most Bahrainis who own land have developed it themselves—leading for construction purposes overlook lending to trade by the second quarter of last year and stayed ahead in September, accounting for about a third of all lending. Although it is possible for Bahrainis to give

ground leases of up to twenty years on their land, few have done so in conjunction with commercial developers. Some companies headquartered in Bahrain, such as Assy and Gulf Air, have developed their own housing compounds on this basis.

As the demand for houses shot up so naturally did the price of land in and around Manama, and along the green belt road to Budaya one of the most popular development areas because of its greenness. It is now rocketing along the route to the causeway. Land that five years ago was sold for about 50 to 100 fils a square foot is now fetching 5 to 8 dinars a square foot. (There are 1,000 fils to the dinar and a dinar is about \$2.50. One Bahraini encountered on the offshore bank launching circuit reflected that he owned

TOURISM

Aim is top end of market

THERE ARE seven sizeable hotels in various stages of construction in Bahrain at the moment. These should add about 1,000 rooms to the present capacity on the island and relieve some of the acute congestion experienced over the past few years. In addition two major international chains are having discussions with eminent Bahrainis to assess the future demand, while the Real Estate Consortium of Kuwait is considering a "leisure development" at Zallaq, near the most

frequented beach in the whole of Bahrain. Two of the new hotels, the projected Sheraton Hotel and the Holiday Inn which is slowly rising on the skyline of the causeway to Muharrag Island, plan to have marinas. There is also talk of a beach club at the Holiday Inn, a cinema and a shopping arcade at the Sheraton, which is at the moment little more than a palm-girt site between the Hilton Hotel and Government House.

The two leading facilities at the moment, the Hilton and the

Half that space is prime office territory. Office rentals are about eight dinars a square foot, about four times what they were just three years ago. The most conspicuous new office blocks are the Shaikha Hasa building (its local if not its official name), between Government House and the National Bank of Bahrain, and the 18-storey Bahrain Tower, the first all-steel skeleton structure of its kind in Bahrain, as well as the first "skyscraper."

Mixed

Commercial development has kept up with residential development and quite often the two are mixed in one building. Although Bahrain was probably the first lower Gulf State to possess a purpose-built office block (the two Almoayed buildings), by the time Gulf Air, Assy and offshore banking had happened the island's stock of offices was also inadequate. Now some half a million square feet of office space in central locations are likely to come available before the end of the year.

Leases

The Bahrain Tower is being erected with quite a degree of success—an innovation in Bahrain building history. The property boom, both residential and commercial, pointed up a sharp lack of professional services on the maintenance, letting and contract side of the landlord trade. Until the advent of a British chartered surveyor, Bahraini leases (if one was

never formally written) contained largely of a series of clauses stipulating those things for which the landlord was not responsible. In counter-balance this tenants have a high degree of protection under Bahraini law. British lawyers followed pretty smartly on the heels of the chartered surveyor to assist those already practising in the island.

While these two between them have brought in the concept of detailed leases with obligations on both sides—and a proper maintenance clause in exchange for service fees—this has mostly been concentrated on commercial lettings. However, where companies are making themselves responsible for the

residential rents the practice is also growing as landlords begin to perceive the benefits. And there are signs that tenants are beginning to rebel against absurdly high increases in domestic rents which officially should not increase more than 10 per cent a year, if the building is in good repair.

Two tenants have been taken to court by their landlady—a Shaikha, that is a minor member of the ruling family—who lost her case. In Dubai, it is said, no tenant would dream of contesting his landlord's decrees. Other tenants in Bahrain are practising war by attrition on the rent situation, agreeing that an increase is justifiable but not 100 per cent, and continuing to pay the old rent until a compromise is reached.

D.T.

Tourism could be important for Bahrain's future as well as its rich citizens' investment. It looks as if the State has now permanently joined the list of countries working on a budget deficit, the island's economy is infinitely more complex than that of the simple oil Emirate, and the Government will have to look for every avenue of diversification to generate more foreign exchange earnings.

For visitors, meanwhile, Bahrain's future as a tourist centre is the cost of staying in Bahrain, not only the cost of staying in its hotels but also of eating out, shopping and entertainment generally. It must at least stay as cheap or cheaper than the surrounding States which will be in competition.

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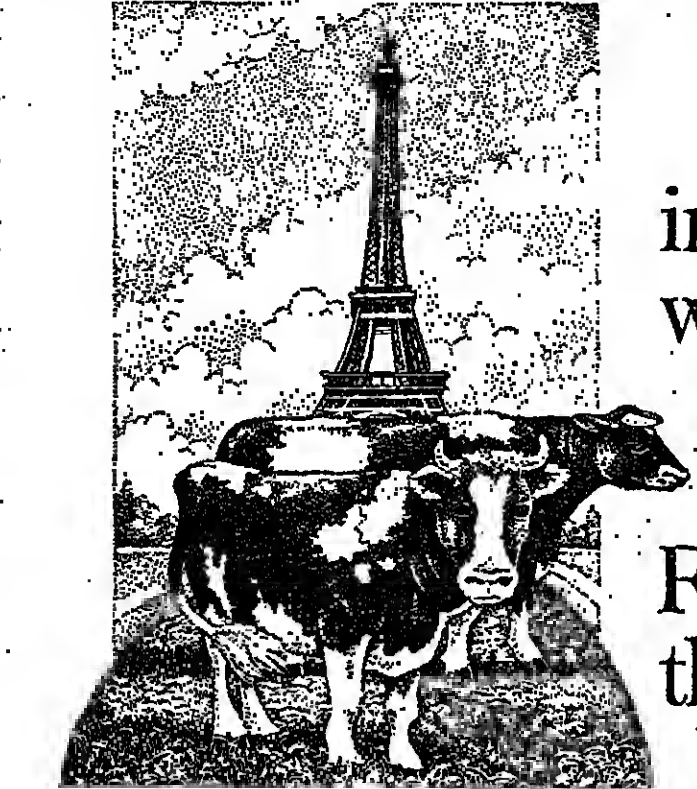
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Dutch Frisian cattle graze in almost every country in the world. The world's second biggest oil company is Royal Dutch. Forty percent of all transport in the European Common Market goes via the Dutch.

The Dutch tow ships across five world oceans. Dutch Friendship airplanes are used for local transport all over the world.

Holland is too small for the Dutch.

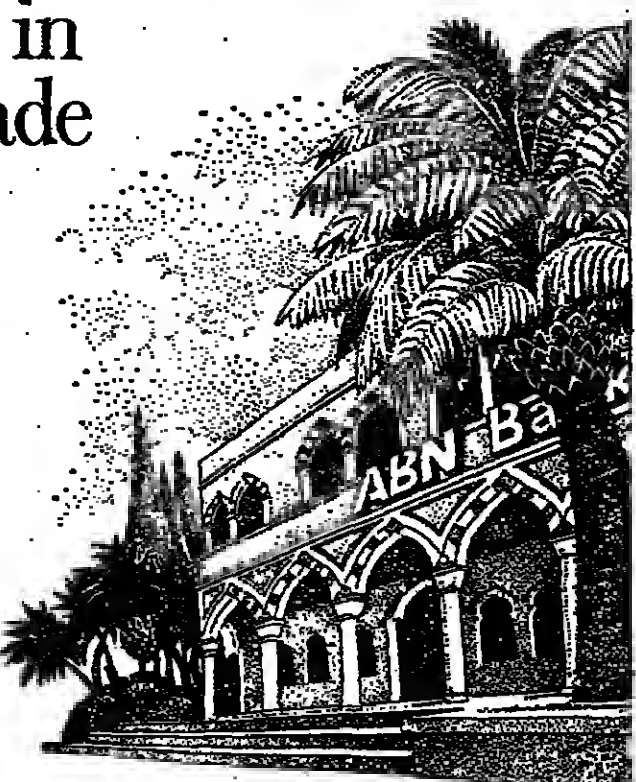
Does it surprise you then that a Dutch bank, the ABN bank, has branches in almost every financial and trade centre in the world?

The Dutch are globe trotters. They have to be, if their small country is to mean anything in the world. They have been building, transporting and trading in foreign lands for centuries. So has the ABN with 180 branches in 40 countries on the five continents. Supporting local as well as international banking needs. They know the right people, the languages, the markets, due to their 150 years of international business and banking experience.

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- Sharjah, Al Zayani Building, Al Arouba Street, P.O. Box 1971, Telephone 25021.
- Dubai, Kuwaiti Building, Binyas Street, Deira-Dubai, P.O. Box 2567, Telephone 25156.



ABN

Algemene Bank Nederland
Vijzelstraat 32, Amsterdam, The Netherlands.

مصرف الامم المتحدة

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Whisky: pitfalls of parallel market

By KENNETH GOODING

MR. RONALD SMITH wanted to buy some Scotch for Christmas. He wanted 10,000 cases of the Johnnie Walker Black Label, wholesale of course, which would have cost him about £153,000.

Mr. Smith, an amiable former production engineer who is now in the export business wanted to buy the whisky in London and then ship it to an unspecified Common Market country.

So that Walker's overseas distributors who might normally have done the deal would not be upset, he offered to pay the distributor's allowance and even to pay more than the going export price — just as long as the Scotch could be made available quickly.

But Mr. Smith still has not got his Scotch. All he received was a polite letter from Peter Snell, export manager of John Walker and Sons, the Distillers Company subsidiary, saying "we have to advise that we do not wish to make an offer."

An infuriated Mr. Smith has subsequently complained to his MP, the Minister of Agriculture, and asked the Office of Fair Trading to investigate what he considers is a restrictive practice on the part of the Distillers Company.

Goliath

This is much more than a simple David v. Goliath story. If Mr. Smith could get the Office of Fair Trading to agree with his point of view, there might be a major upheaval in the traditional export procedures used by the Scotch whisky industry, an industry which over the past year has averaged something like £440m. in export earnings — nearly all of it "profit" to Britain in that the industry needs little imported raw material.

insists it will not discuss individual cases. But when Mr. Smith's name is mentioned, the group produces a long list of reasons why the activities of the so-called "parallel exporters" should not be encouraged.

To the Scotch whisky industry a "parallel exporter" is someone who operates outside the normal channels. And those normal channels mainly involve the U.K. producers selling to sole importers in individual overseas markets.

In 1975, parallel exports really began to make an impact on the industry because the export price for Scotch had moved way above the U.K. market price. The difference was as much as £2 for a case of 12 bottles.

International supermarket groups found that they could buy their Scotch in the U.K., ship it to the Continent and either take the extra profit or sell the whisky at cut prices far below anything which could be offered by the local sole importer.

Distillers Company, which owns brands like Haig, Vat 69, Black and White and Dewar's as well as Johnnie Walker, the world's best-selling Scotch, was faced with the agents who were threatening to withdraw financial support for the brands they handled because their profits had suffered so badly.

Nobody seems to know the size of the parallel trade. Parallel exports do not show up in the export statistics because they are just recorded with all the other Scotch which leaves the U.K. Even the major whisky companies refrain from making any guesses. All they know is that the sole distributors of some brands in some important markets maintain that parallel

exports are giving them the biggest problem they have ever had to deal with.

Of course, there is nothing illegal about parallel exporting. In fact, the Treaty of Rome actively encourages free trade and competition and makes it impossible for Distillers to prohibit exports to the Community. But Michel Martell—chairman of the famous Cognac concern which has represented Black and White Scotch in France for ten years—says the activities of the parallel exporters have

bought back from the Liverpool wholesaler its own Scotch at £16 a case compared with the £12 paid by the original wholesaler customer. Glenlivet was £1,200 down on the deal but it had prevented some of its Scotch going out via the parallel market.

Mr. Ivan Straker, managing director of Glenlivet, says that parallel exports of Glen Grant to Italy, where it is a major brand, are "a bell of a problem."

Any major brand can suffer in

right to charge the gross price on all whisky delivered to any particular customer if it discovered later that bottles for U.K. consumption, and on which a discount had been allowed, had been sold in Europe. (A simple method of marking the bottles has permitted this exercise to be carried out.) And four quick, successive price increases in the U.K. brought the home market prices more into line with that for export markets.

The idea behind all this was to take the financial advantage

any market where there is free trade and no Government barriers against imports. Whatever else the parallel exporters might achieve, they would not increase total sales of Scotch whisky, Distillers insists.

Sales by parallel importers are not made because there is an unfulfilled demand which the accredited distributors are unable to meet. They are made because "parallel importers, having no obligation to advertise or promote brands or to ensure their availability throughout the market, are able to undercut the distributors' prices. The sales made by parallel importers are possible only by the efforts that the distributors have made over the years to make the brand widely known and to ensure its acceptance. The main interest of the parallel importer is to make a quick sale to a particular customer. The accredited distributor has a long-term interest in the success of the brand," says Distillers.

The group insists that over the past ten years the biggest growth of its Scotch whisky brands, especially in Europe, has taken place outside the big cities—in provincial towns and villages. This is because its distributors have brought the brand "into every nook and cranny of the market." And "they achieved this success because they were prepared to spend their own money on advertising, promotion and representation."

Distillers says that the allowances it makes to distributors do not offset completely the cash the distributor himself puts behind a brand. That is why parallel importers would still be able to make a profit.

Another important contribution distributors make is that they hold large stocks to help maintain continuity of supply in the event of strikes in the transport industries. This stockholding—always an expensive business—is an important factor in allowing Distillers to plan forward production, especially in the months of peak demand before Christmas.

On Mr. Smith's side there are a number of pertinent but unanswered questions. For example, if his customer is willing to pay the market price as well as the local distributor's fee, why hasn't his customer bought the Scotch through normal channels? Mr. Smith says through a system of appointed sole distributors. The success of our export trade has been built on this system," says Distillers.

"There is no obligation on us, either under British or EEC law, to supply everybody or anybody who asks for an order. The EEC regulations expressly recognise the right to operate through a system of appointed sole distributors. The success of our export trade has been built on this system," says Distillers.

Agents vital

Mr. Smith's company, called Madison, Benson and Carter, was incorporated in February, 1975 with an issued capital of £99 in £1 shares.

Mr. Smith says the company so far has been mainly concerned with the export of cement to the Middle East and Nigeria, has sold German helicopters in Latin America, handled coffee, urea, "dabbled a little in the export of Land Rovers" and dealt in Middle East oil.

Distillers has around £425m. wrapped up in whisky stocks and is currently responsible for roughly half the Scotch sold round the world.

The group believes the system whereby it sells its brands in overseas markets through appointed sole agents is absolutely necessary to protect the image built up for its various brands because these agents care deeply about the long-term future of the brands "they handle." Fashion plays an important part in drinks marketing and

any damage to a carefully-built image by selling the product cheaper can take years of hard work to repair. Whisky producers argue that the parallel exporter could do this kind of damage to a brand and then move on to the next quick "killing" in ball bearings, watches or whatever else currently shows a profit.

See Week's Financial Diary on Page 5.

See Week's Financial Diary on Page 5.

Wholesalers

Mr. Smith still wants some Scotch, and is seeing whether he can get it through these wholesalers.

Meanwhile, Distillers remains determined to fight to preserve the system of sole distributors in overseas markets as the one most likely to maintain the industry's overseas earning power. Ivan Straker of Glenlivet says: "To destroy a brand's traditional marketing organisation would be disastrous for that brand and the future of Scotch."

EXPORTS TO THE SIX MAJOR OVERSEAS MARKETS

	1975	Value	1975*	Value
	(m. proof galls.)	(£m.)	(m. proof galls.)	(£m.)
U.S.	24.49	126.13	30.15	135.8
Japan	8.45	29.39	8.1	31.15
France	4.24	18.29	3.7	19.51
West Germany	3.45	12.32	2.86	11.81
Italy	2.80	13.88	3.29	17.57
Belgium-Luxembourg	2.66	11.59	2.28	12.01

* 11 months

taken the profit out of the business. It is not surprising, then, that the Scotch whisky companies try their hardest to make sure that their Scotch goes to the Continent and even though Brussels encourages parallel exporting, their brands do not turn up through unofficial channels in the rest of the world.

Malt whisky

Glenlivet Distillers, for example, recently traced the path of 300 cases of its eight-year-old Glen Grant malt whisky which were sold to a U.K. wholesaler who in turn sold them to a supermarket chain in the West Country. The following week the Scotch turned up in Liverpool with many other brands ready for shipment overseas. Glenlivet discovered this and

this way. Seagram's, for example, found that its Chivas Regal brand sold at the maximum wholesale price to an American customer was being shipped straight back to Europe. In June, 1975, Distillers acted to stem the tide of unofficial exports. It wrote to all its U.K. customers reminding them that the various discounts—and Distillers has a very complex discount system—applied only to the U.K. While the export of Scotch sold in the U.K. to Common Market countries was henceforth permitted under the amended conditions of sale, customers must in future specify which part of their order they intended to export. They would then be charged the gross price for the whisky because it would not qualify for the U.K. discounts. Distillers also reserved the

out of parallel exporting. Distillers was not able to force its customers to stop exporting to the Common Market because then it would have been in breach of EEC free trade regulations itself. However, the group continued to insist that no Scotch sold to U.K. customers could be exported to territories outside the Common Market.

Demand

But, as Mr. Smith has shown, the parallel market is not dead. He says he can afford to pay over the market price for the Scotch he requires and still make a profit. He says this is because there is a big unsatisfied demand for some Scotch brands throughout the world. Distillers refutes this. It says any market can have as much Scotch as it can order—that is

Letters to the Editor

Industrial democracy

From Mr. A. Carr.

Sir,—Your main article on the Bullock Report headed "A Job for Women" (January 27) clearly illustrates why so much nonsense is talked about industrial democracy.

The whole suggestion has been discussed without a clear identification of what the purpose of any industrial enterprise is. That purpose is to provide goods or services at an economic cost to society through its customers. This is a vital and moral role. To carry out that role various forms of organisation depending on the size of the enterprise have been developed, but the purpose of the enterprise is still the same.

The whole discussion of employee involvement is an irrelevant "to the successful definition of the directions in which an enterprise should go so that its work force and directors should be concerned with itself with. Employee involvement is concerned with the implementation of the strategic plans and is critical to their success.

Again a phrase is quoted by John Elliott "a manager has a right to manage." This is incorrectly stated; every enterprise "needs" to be managed, and therefore there will be managers wherever their actual title. What is required is that everyone in the enterprise is competent and capable of fulfilling their job and that applies to the directors as well as to all other workers.

To introduce democracy into the selection of the policy makers of an enterprise is akin to qualifying doctors by vote, which I feel would not be acceptable to their patients. There are clear skills and capabilities needed for a particular function the use of a democratic process of selection is clearly illogical. This point has not been made in the discussion of the Bullock and Government proposals.

What you need is people carrying out their role for the benefit of the enterprise and society. The logic and historical perspective referred to just does not exist once you correctly define the nature of the enterprise and the fact that the present forms of business have harnessed human nature as it is to obtain results for society as a whole is to be applauded not stood on its head.

One final point. To attribute the failure of these proposals to the fact that they will virtually destroy the business system we currently have and leave customers without products or choice, to "changing the whole balance of our class-conscious industrial society" is irresponsible in a paper of your standing especially as there is no explanation as to what this means. "Weasel" words are being used by journalists to stifle logical discussion.

A. R. L. Carr, Redhill, Surrey.

Ungifted amateurs

From Mr. R. Heseltine

Sir,—On Tuesday we had Sir Brandon Rhys Williams's private member's Bill to impose non-executive directors on companies with 2,000 employees or more and on Thursday we had the Bullock Report. Merchant bankers, retired civil servants, politicians, impoverished aristocrats and underpaid professors may have pockets to be lined and trade unionists may well have a sense of omnipotence, but it would be a grave mistake if such human frailties were to be allowed satisfaction at the expense of managerial aspirations.

In particular, the prospect of the job opportunities is both distasteful and alarming, since MPs have a quite notorious record for directing corporations into receivership. Nor is this entirely surprising, since three line whips and all night sittings may be good training for scoundrels, but its scarcely likely to produce the objective view and the independent mind that we need from our company directors.

Mr. Sir, a reversion to the cult of the gift and unfortunately the often quite ungifted amateur is out the solution. Richard Heseltine, 29 Gibson Square, N.1.

Institutional involvement

From Mr. P. Denn, MP.

Sir,—The majority report of the Bullock Committee has the cat out of the bag. The issue is not industrial democracy but a power struggle for Britain's boardrooms. The same issue came up in 1976 in the Government's controversial proposals concerning the control of occupational pension schemes.

My main reason in writing is to focus attention on the role of the shareholder. As a pension scheme trustee, I am very conscious of the major significance of the institutional shareholder and the effect of his investment decisions on the economy generally and the individual companies in which he invests. The institutional investor is, of course, the trustee of the savings of millions

Textile workers pay

From The Chairman, Greater Merseyside Liberal Party.

Sir,—Mr. Fred Dyson's concern about the wages paid to textile workers (January 26) is quite understandable. How with 15 per cent inflation can they survive with deprivation on such a small increase for a second year running?

The current improvement in the economy does however provide grounds for hope. There is at least a chance of more stable prices and the CBI could more easily justify a tough wage policy if it were now to urge its members to stabilise or reduce prices.

Price stabilisation should be a real possibility because of the improvement in the value of the pound and the reduction in interest rates. Those industries with raw material costs related to dollars or indeed to any foreign currency, should have seen these costs fall considerably in the last few weeks.

Last time the CBI tried to stabilise prices the climate was wrong. Now it is right. If it expects trade unionists to do their bit, it must set an equally good example. There might then be some hope of a wage settlement in single figures.

If the CBI, however, assists only Tory Governments and the TUC assists only Labour ones, we shall have further proof that our present political system is responsible for our economic ills. Michael Gayford, Perthshire, Meols Drive, West Kirby, Wirral.

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Stop trying to compete

From Mr. P. Stephenson.

Sir,—The arguments Douglas Jay uses in his article "The Cost to Britain of Community Membership" (January 27) are as off base now as they were when he used them 18 months ago in the referendum campaign.

He says that our balance of manufacturers trade with other Community countries has deteriorated because membership has lessened our relative competitiveness. This, he argues, is for two reasons, of which the first is the effect of rising food prices "pushing up labour costs in the U.K."

In fact, he gives no estimates of this effect, contenting himself only with assertions about the direct balance-of-payments effect. And he would be hard put to it to come up with any significant figures for the period since 1973, being about since 1973 there was no effect at all, and in 1974 and much of 1975 membership actually cushioned us a little against rocketing world food prices.

His second reason is the fact that U.K. industrial tariffs have come down further than the previous EEC tariffs against the U.K. But how can this be a "cost of membership" unless he believes that if we had not joined we would have kept our tariffs up? This was certainly not an alternative in the referendum. The document "Why You Should Vote NO" circulated to every household on behalf of the National Referendum Campaign, of which Douglas Jay was a prominent member, said explicitly "If we withdraw from the Market we could and should remain members of the wider free trade area which now exists between the Common Market and the countries of EFTA." So British industry would have lost its high tariffs whatever happened.

The only meaningful conclusion is to draw from the article is that Douglas Jay has changed his mind, and now supports that minority in the party to which he belongs which wants Britain to retire behind the barriers of a siege economy and stop trying to compete with other industrial nations. Most of us prefer to see the poorer showing of British industry within the Community as a symptom of fundamental problems for which the Government is trying to work out positive solutions. P. Stephenson, Labour Committee for Europe, Europe House, 1a, Whitehall Place, S.W.1.

To-day's events

Mr. Denis Healey, Chancellor of the Exchequer, expected to hold afternoon meeting with Dr. Johannes Witteveen, managing director, International Monetary Fund. Both later attend Overseas Bankers Club dinner, Guildhall, at which Mr. Healey is main speaker. Other guests include Dr. Otmar Emminger, Vice-President, Deutsche Bundesbank, Mr. Gordon Richardson, Governor, Bank of England, and Sir Robin Gillett, Lord Mayor of London.

EEC Foreign Ministers begin two-day conference, London. Labour Party/TUC Liaison Committee meets. Mr. Edmund Dell, Trade Secre-

OFFICIAL STATISTICS

Building Society house prices and mortgage advances (4th quarter). See Week's Financial Diary on Page 5.

COMPANY MEETINGS See Week's Financial Diary on Page 5.

EXHIBITIONS Products chosen as souvenirs of the Queen's Silver Jubilee. Venues: Design Centre, 28, Haymarket, SW1, and Scottish Design Centre, 72, St. Vincent Street, Glasgow, G2 (until March 5).

OPERA Royal Opera production of Der Freischütz, Covent Garden, W.C.2, 7.30 p.m.

Scandinavian Bank Limited

1976 was a year of expansion for the Group which was successful in raising a US\$30M (£17,628,000) seven year subordinated loan by way of private placement giving together with share capital and reserves amounting to £28,289,000 a total capital base of £45,915,000.

Loan demand was satisfactory, with the Bank continuing its role of financing Scandinavian and Scandinavian-related requirements. A substantial number of loans were managed and co-managed by the Bank during the year, giving rise to increased activity in syndicated loans and private placements. The Bank's activities in the foreign exchange and bond markets were very successful.

The Bank's subsidiary in Hong Kong, Scandinavian Far East Limited, developed satisfactorily during the year. A branch office was opened in Bahrain to enable the Bank to take a more active role in the foreign exchange and money markets in the Middle East and to provide for its clients increased facilities for their financing needs in that area.

Despite the difficult economic situation, I am confident that the conservative policy followed by the Scandinavian Bank Group will continue to produce good results and its strong capital base provides the foundation for continued growth which is further supported by the increasing requirements of Scandinavian business for international financial services.

John Thorsen Chairman

Extract from Audited Consolidated Statement of Accounts 31st December 1976

	1976	1975
	£000	£000
Authorised Capital	25,000	25,000
Issued Capital	20,250	20,250
Retained Profits	8,039	5,664
Total Shareholders Funds	28,289	25,914
Subordinated Loan Notes	17,626	—
Current and Deposit Accounts	638,722	454,566
Cash at Bankers, Money at Call and Short Notice	142,207	124,695
Deposits with Banks	131,730	103,616
Loans and Advances—		
(a) under one year	196,764	121,227
(b) over one year	206,558	130,940
Total Assets	729,809	501,537
Profit before Taxation and extraordinary item	6,503	4,839
Profit after Taxation and extraordinary item	3,185	2,263
Proposed Dividend	810	570

Shareholders: Skandinaviska Enskilda Banken (Sweden), Bergen Bank (Norway), Døtt Danske Bank (Denmark), Den Danske Provinsbank (Denmark), Landsbanki Islands (Iceland), Svenska Banken (Sweden), Union Bank of Finland (Finland).

Scandinavian Bank Limited

36 Leadenhall Street, London EC3A 1BH
Telephone: 01-709 0565
Telex: 883221 Scanbank
Registered Number: 949047 London

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OVERSEAS MARKETS

EUROBONDS

Euphoria ebbs away as market readjusts

DURING JANUARY, Eurobond are helping to underpin the market. Euphoria has quickly ebbed away. In this column a month ago, the opinion was expressed that prices had moved too far too quickly and that it was time for a readjustment. This is what has in fact been happening.

The volume of new issues, while considerable, has still fallen short of last January's levels. The table shows dollar issues (including published private placements) of more than \$900m, to which must be added some \$250m of Canadian issues and \$330m of Euro-mark issues, making \$1.5bn in all.

secondary market tapers sour new issue managers are reluctant to offer new issues of bonds on terms that may almost without hours be altered as market sentiment changes. New issue managers have, therefore, to take a rather longer-term view. They cannot realistically be expected to price issues at a discount simply because the secondary market is possibly temporarily experiencing a decline.

Finally, there is the fact that new issue managers appear reluctant to acknowledge the existence of a changed environment. Perhaps, this is most apparent to the Canadian dollar sector where the weakness of the Canadian currency unit and political fears have created a situation where new issues look unrealistic relative to prices ruling in the secondary market.

BY TONY HAWKINS

Venezuelan issue is exciting considerable interest. It has been raised by the Industrial Bank of Venezuela in an oil producer which has not tapped this particular market before, it may well earn a certain amount of "scarcity" value. Against that is the fact that there is a strong element in the Eurobond investment community which dislikes Third World credits (oil producers or not).

New in the market is the five-year bullet for the European Coal and Steel Community on a 7 1/2 per cent coupon. The amount being raised is \$50m, and there is an extra \$10m, being raised by private placing over 10 years at 8 1/2 per cent. The terms for five-year offering look a bit tight, though one is told that earlier a 7 per cent coupon had been envisaged. The problem here is that there is a substantial amount of ECSC paper in the market. It is hardly a new name and it is a very hard public sector offering. In its favour is the fact that it is a five-year bullet.

EUROBOND TURNOVER

Table with columns: N.Y.E.E. ALL COMMON, Issues Traded, \$m, Jan. 27, Jan. 28, Jan. 29, Jan. 30, Jan. 31, High, Low, % Change.

Table with columns: MONTREAL, Issues Traded, \$m, Jan. 27, Jan. 28, Jan. 29, Jan. 30, Jan. 31, High, Low, % Change.

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CORAL INDEX

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I.G. Index

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AUTHORISED UNIT TRUSTS

Table listing various unit trusts and funds, including their names, managers, and performance metrics. Categories include Discretionary Unit Fund Managers, Hill Samuel Unit Trst. Mgrs., M & G Group, and various international and domestic funds.

REGIONAL MARKETS: A selection of the share prices previously shown under regional headings is repeated below with quotations on London, Irish issues, most of which are not generally listed in London, are shown separately with prices on the Irish exchange.

FINANCIAL TIMES STOCK INDICES: Table showing various stock indices such as Government Secs., Ford Interests, Industrial Ordinary, and others, with their respective values and percentage changes.

HIGHS AND LOWS: Table showing high and low stock prices for various categories like Govt. Secs., Fixed Int., and Gold Mines.

FT ACTIVITY: Table showing activity in various markets including Industrial Group, 50 Shares, and All Shares.

HONG KONG: Table listing stock prices for various companies in Hong Kong, including Anglo Sino, Anglo American, and others.

TEL AVIV: Table listing stock prices for various companies in Tel Aviv, including Bank Leumi, Bank Hapoalim, and others.

SINGAPORE STOCKS: Table listing stock prices for various companies in Singapore, including Anglo Sino, Anglo American, and others.

INSURANCE, PROPERTY, BONDS

Table listing various insurance, property, and bond companies and their products, including Abbey Life Assurance, City of Westminster Assur. Soc, and others.

OFFSHORE AND OVERSEAS FUNDS

Table listing various offshore and overseas funds, including Arthnot Securities, Charterhouse Japhet, and others, with their respective managers and details.

NOTES: Additional information and notes regarding the funds and markets, including details on share prices and company announcements.

New Issue All of these bonds having been sold, this announcement appears as a matter of record only. January 31, 1977



du banque française commerce extérieur

DM 100 000 000

7% Bearer Bonds of 1977/1987

unconditionally guaranteed by the Republic of France

Issue price: 100%

Dresdner Bank Aktiengesellschaft

Banque Bruxelles Lambert

Banque Nationale de Paris

Caisse des Dépôts et Consignations

Commerzbank Aktiengesellschaft

Crédit Lyonnais

Société Générale

Swiss Bank Corporation (Overseas) Limited

Westdeutsche Landesbank Girozentrale

Deutsche Bank Aktiengesellschaft

- Alahli Bank of Kuwait (K.S.C.)
- Arab Finance Corporation S.A.L.
- Banca Nazionale del Lavoro
- Bank für Gemeinwirtschaft Aktiengesellschaft
- Bank Mies & Hope N.V.
- Banque de Commerce S.A.
- Banque de Neuchâtel, Schlumberger, Mellet
- Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg
- Banque Française de Dépôts et de Titres
- Banque Internationale à Luxembourg S.A.
- Banque Rothschild
- Bayerische Landesbank Girozentrale
- Berliner Handels- und Frachtkontor Bank
- Casanova & Co.
- Creditanstalt-Bankverein
- Credito Italiano
- Deutsche Girozentrale - Deutsche Kommunalbank
- Effectenbank-Warburg Aktiengesellschaft
- European Banking Company Limited
- GEFINA International Limited
- Goldman Sachs International Corp.
- Hombros Bank Limited
- Industriabank von Japan (Deutschland) Aktiengesellschaft
- Kanallia-Osaka-Paniki
- Kreditbank N.V.
- Kuwait Foreign Trading, Contracting & Investment Co. (S.A.K.)
- The Kuwait Investment Company (S.A.K.)
- Merc, Frank & Co.
- Morgan Grenfell & Co. Limited
- The Nikko Securities Co. (Europe) Ltd.
- Osterreichische Linderbank Aktiengesellschaft
- PKBanken
- Schröder, Münchmayer, Hengst & Co.
- Société Centrale de Banque
- Société Privée de Gestion Financière
- Algemeine Bank Nederland N.V.
- Amhold and S. Bleichroeder, Inc.
- Banca del Gotardo
- Banca delle Svizzerae Italiane
- Bank Guizwiller, Kurz, Bungenier (Overseas) Limited
- Bankers Trust International Limited
- Banque de l'Indochine et de Suez
- Banque de Paris et des Pays-Bas
- Banque Générale du Luxembourg S.A.
- Banque Générale du Phénix
- Banque Louisa-Dreyfus
- Baring Brothers & Co., Limited
- Bayerische Hypothek- und Wechsel-Bank
- Joh. Bernberg, Gossler & Co.
- Blyth Eastman Dillon & Co. International Limited
- Compagnie Financière Luxembourgeoise de Banque S.A.
- La Compagnie Financière
- Credito Commercial da France
- Den Danske Bank of 1871 Aktieselskab
- Den Norske Creditbank
- DG Bank Deutsche Genossenschaftsbank
- Deutsche Linderbank Aktiengesellschaft
- Euromobiliere S.p.A.
- Euromobiliere S.p.A. Compagnie Europee Intermobiliere
- Finacor
- First Boston (Europe) Limited
- Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft
- Groupement de Banquiers Privés Genevois
- Hessische Landesbank - Girozentrale
- Hill Samuel & Co. Limited
- Intarunion-Banque
- Istituto Bancario Ben Paolo di Torino
- Klebanavris Handelsbank
- Kleinwort, Benson Limited
- Kuhn, Loeb & Co. International
- Kuwait International Investment Co. (S.A.K.)
- Manufacturers Hanover Limited
- B. Metzler soel. Sohn & Co.
- Samuel Montagu & Co. Limited
- Montagu Europe N.V.
- Hollandische Landesbank Girozentrale
- Nomura Europe N.V.
- Norddeutsche Landesbank Girozentrale
- Orion Bank Limited
- Pierson, Harding & Pierson N.V.
- Selomon Brothers J. Henry Schroder Wegg & Co. Limited
- Smith, Barney, Harrie Upham & Co. Incorporated
- Société Générale Alsacienne de Banque
- Société Générale de Banque B.A.
- Somitomo Finance International
- Straus, Turnbull & Co.
- Swedish Handelsbanken
- Swiss Bank Corporation (Overseas) Limited
- Union Bank of Switzerland (Societies) Limited
- United Bank of Finland Limited
- United Bank of Switzerland (Societies) Limited
- U.B.A.F. United International Bank Limited
- Vareins- und Westbank Aktiengesellschaft
- W. von Westphalen Aktiengesellschaft
- Yamaichi International (Europe) Limited

APPOINTMENTS

Chief executive for new division of Rothmans

Mr. Bruce S. Kyle has become chief executive of the recently formed industries division of ROTHMANS INTERNATIONAL and has relinquished his directorship of Carreras Rothmans. He joined the Board of Carreras Rothmans, part of the Rothmans International Group, as director of group planning and development in January 1974.

The industries division is to expand the non-tobacco activities of the group and Mr. Kyle will be responsible for developing a programme of diversification in this country and in Europe.

Mr. Ernest Hall is to resign his position as vice-chairman of BIRDS EYE FOODS and retire from executive duties on March 31. He will remain as an advisory director until the end of the year.

Mr. Ronald Wilson has joined the LONDON CO-OPERATIVE SOCIETY as deputy chief executive officer. He was previously assistant managing secretary of the St. Helens Co-operative Society.

Mr. B. C. Which has been appointed chief executive of the manufacturing and marketing division of QUINTON HAZELL.

Mr. Hubert E. Hunt, newly appointed managing director of Texas Pacific Oil Company (U.K.) Inc., has been elected president of the company, which is a subsidiary of the SEAGRAM COMPANY.

Mr. R. M. Denny, a director of Rediffusion, has been appointed chairman of the council of the CABLE TELEVISION ASSOCIATION OF GREAT BRITAIN for this year. He succeeds Mr. D. L. Nichol, a director of British Relay, who remains a member of the Council of the Association. Mr. Denny has been succeeded as deputy chairman by Mr. D. W. Heightman, technical director of Thorn Television Rentals.

Mr. Derek Kimber is to join the Board of EQUITY CAPITAL FOR INDUSTRY with effect from tomorrow. He is chairman of Austin and Pickersgill.

Mr. Richard Duffin has retired as director of research at ST. DUNSTONS.

Mr. M. J. Love has become finance and commercial director of PETERS following the retirement of Mr. G. Owen. Mr. J. D. Regis has been appointed marketing director and Mr. B. Harper,

Notice of Redemption



Dfls 60,000,000 6 1/2% bearer Notes of 1973 due 1977/1980

of AMSTERDAM-ROTTERDAM BANK N.V. Amsterdam

Notes belonging to Redemption Group No. 1 payable on March 15, 1977.

As provided in the Terms and Conditions Redemption Group No. 1 amounting to Dfls 15,000,000 has been drawn for redemption on December 20, 1976 and consequently the Notes belonging to this Redemption Group are payable on

March 15, 1977

at

Amsterdam-Rotterdam Bank N.V. (Central Paying Office) in Amsterdam

and Banque Générale du Luxembourg S.A. in Luxembourg.

January 31, 1977.



GENOSSENSCHAFTLICHE ZENTRALBANK AKTIENGESELLSCHAFT Vienna

U.S. \$25,000,000 Floating Rate Notes Due 1981

For the six months January 31st, 1977 to July 29th, 1977 the Notes will carry an interest rate of 7 1/2% per annum.

Listed on the Luxembourg Stock Exchange.

By: Morgan Guaranty Trust Company of New York, London Agent Bank

CONTRACTS AND TENDERS

THE DEMOCRATIC REPUBLIC OF THE SUDAN

RAHAD IRRIGATION PROJECT

Contract R9/9

SUPPLY OF ELECTRICAL TRANSMISSION EQUIPMENT

Tender Documents will shortly be available for the supply to the Rahad Corporation of certain Materials and Equipment listed below:-

Group No.	Group Description	Quantity (approx.)
1	11KV Distribution Transformer	46 No.
2	11KV Airbrake Isolators	17 No.
3	11KV Expulsion Fuses for Outdoor Pole-Mounted Operation	60 No.
4	Electricity Motors	805 No.
5	Electrical Cut-Outs	1,350 No.
6	Street Lamps	600 No.
7	Porcelain Insulators	19,600 No.
8	Electric Cable Boxes	17 No.
9	Aluminium Conductors (70 sq. mm to 3 sq. mm copper equivalent) and Galvanised Stay Wires	1,248 KM
10	Structural Steel	67.5 Tonnes
11	Steel Reinforcement and Galvanised Rods and Pipes	475 Tonnes

Prospective Tenderers wishing to purchase Tender Documents should apply in writing to the Project Consultant with non-refundable purchase money equivalent to twenty pounds Sudanese. Cheques, Orders or Bills of Exchange should be made payable to any applications addressed to Sir M. MacDonald & Partners, P.O. Box 1754, Khartoum. Overseas applicants may apply to the Consultant's office in the United Kingdom, Demeter House, Station Road, Cambridge CB1 2RS with purchase money equivalent to twenty pounds Sterling.

The period allowed for preparing and delivering tenders will be ten weeks from the first date of issue, which is expected to be during February 1977.

Tenders will be invited for any one or more of the Groups listed but part tenders for some of the Materials and Equipment in any one Group are not permitted.

Sayed Ibrahim Mohammed Ibrahim Managing Director Rahad Corporation

ANNOUNCEMENT

ZAJEDNICA PREDUZECA ZA PUTEVE SR SRBIJE "SRBIJAPUT" -BEOGRAD

ASSOCIATION OF THE ROAD ENTERPRISES OF SR. SRBIA "SRBIJAPUT" -BELGRADE, YUGOSLAVIA

It will soon commence construction and reconstruction of the main road No. 1 with its transformation in the highway along its whole length totalling 28 km.

Construction and reconstruction covers: Earth works, asphalt pavement works, as well as construction of bridges.

Candidates who are going to take part in pre-qualification should be from those countries who are members of the World Bank, or from Switzerland and they may ask the investor to prequalify them for one or more road sections.

The enterprises interested in participating in prequalification, are invited to submit their references with brief survey of their previous experience in similar works, as well as their financial standing statement, and to submit applications, not later than 1 month after publication of this announcement, to the investor:

ZAJEDNICA PREDUZECA ZA PUTEVE SR SRBIJE "SRBIJAPUT" -BEOGRAD BULEVAR REVOLUCIJE 282-JUGOSLAVIJA

The investor will invite prequalified enterprises to submit their bids for execution of the works. The investor intends to have documentation, necessary for making bids, available in the beginning of March, 1977.

CONTRACTS AND TENDERS

APPEAR EVERY MONDAY RATE £10 PER SINGLE COLUMN CENTIMETRE

FEDERAL REPUBLIC OF NIGERIA NATIONAL ELECTRIC POWER AUTHORITY JEBBA HYDROELECTRIC DEVELOPMENT PREQUALIFICATION OF TENDERERS GENERAL CONTRACT

The National Electric Power Authority is planning the construction of a hydroelectric project on the Niger River approximately 3 kilometers northwest of the town of Jebba. The project will consist of a rockfill dam with an impervious upstream blanket and core closing the river; four auxiliary dams linking the main dam, power installations, 6-110 MVA turbine generators, spillway, navigation lock; and a saddle dam closing an old river channel.

The National Electric Power Authority plans to invite bids from prequalified tenderers for the General Contract in October 1977 with the contract award in October 1978. Interested tenderers must prequalify by completing and submitting the prequalification forms which may be obtained from:

- (i) Letters: Montreal Engineering Company, Limited P.O. Box 777 Place Bonaventure Montreal H5A 1E3 Quebec, Canada Attention: Mr. W. S. Walker Project Manager
- (ii) Telegram: Montreal Engineering Co., Ltd. Place Bonaventure Montreal H5A 1E3 - Quebec, Canada Attention: Mr. W. S. Walker Project Manager
- (iii) Telexes: Monaco MtL 055-60735 Attention: Mr. W. S. Walker Project Manager

A copy of the request for the Prequalification document should be sent to: National Electric Power Authority, 24-25 Marina P.M.B. 12030 Lagos, Nigeria. Attention: Mr. J. B. Stroud, Director, Engineering Projects. The prequalification documents will be available from 1 March 1977 and should be returned by 15 April 1977.

CONSTRUCTION TENDER National Housing Authority Monrovia, Liberia

Invitation to tender for construction of access roads and infrastructure for new housing projects at Metadi near Monrovia.

The National Housing Authority will shortly be inviting tenders for the construction of access roads, infrastructural services and houses.

The first contract is expected to comprise construction of 2.5 km of access road to bituminous surfaced finish as well as adjoining services (stormwater, sewers, water and electrical reticulation).

Contractors who wish to qualify for tendering are requested to submit the following information concerning their firm:

- 1. Name and address
- 2. Annual turnover
- 3. Paid up capital
- 4. Projects and their values carried out in last five years
- 5. Examples of work of a relevant nature carried out in conditions similar to Liberia.

This information must be submitted in writing not later than February 10th, 1977 to either

The Director National Housing Authority Monrovia, Liberia

of their consulting engineers Bergman Colquhoun and Nørgaard A/S Fredericsgade 15, 1310 Copenhagen K, Denmark Telephone (1) 11 72 07 - Telex 15407 DK

Contractors selected for pre-qualification will be advised by telegram and must be prepared to attend a pre-bid conference and collect tender documents in Monrovia on February 24th, 1977. Tenders will close on March 7th, 1977. The Director reserves the right to accept or refuse application for inclusion on the tender list at his own discretion.

The Industrial Bank of Japan

- Total Assets Amounted to US\$30 Billion, a 19% Rise.
- Loans Outstanding Increased 11%.
- Fund Raising through Debentures and Deposits Increased 22%.
- Earning Power Resumed a Firm Upward Trend.

Condensed Balance Sheet

(In thousands)

	As of September 30	
	1976	1975
ASSETS		
Cash and Due from Banks	US\$ 2,261,522	US\$ 1,059,998
Call Loans	146,705	263,168
Securities	4,649,527	3,593,313
Loans and Bills Discounted	17,908,948	16,128,711
Foreign Exchanges	1,134,801	1,062,176
Other Assets	698,659	587,611
Customers' Liabilities for Acceptances and Guarantees	3,149,318	2,526,348
Total	US\$ 29,949,480	US\$ 25,221,325
LIABILITIES, RESERVES AND CAPITAL FUNDS		
Industrial Bank Debentures and Deposits	US\$ 24,195,967	US\$ 19,815,093
(Industrial Bank Debentures)	(17,608,833)	(14,924,870)
(Deposits)	(6,587,134)	(4,890,223)
Call Money	314,850	391,873
Borrowed Money	257,382	378,285
Foreign Exchanges	103,246	260,363
Other Liabilities	906,171	890,663
Reserves	339,025	316,503
Acceptances and Guarantees	3,149,318	2,526,348
Capital Funds	683,521	641,997
(Profit for the Term)*	(64,219)	(52,814)
Total	US\$ 29,949,480	US\$ 25,221,325

* Profit for the term shows the figure after taxes (corporate tax, etc.) and excludes balance brought forward from the previous term.

Notes: (1) U.S. dollar amounts are converted at ¥287.45 per dollar (inter-bank market rate in Tokyo as of September 30, 1976). (2) Above statements are nonconsolidated.

THE INDUSTRIAL BANK OF JAPAN

Japan's oldest and largest long-term credit bank.

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Handwritten Arabic text: سكر من الاجل

FT GROCERY INDEX

Rate of increase doubles

BY STUART ALEXANDER

INCREASES in the prices of dairy products, coffee, vegetables and bread contributed to a rise of 2.83 per cent in the Financial Times Grocery Index in January. This is nearly double the rise in December.

The index stands at 261.03. It was 244.82 in December and 208.38 in January last year. Bread prices have almost certainly been affected by the action of the delivery men's union, which is insisting on minimum prices, but the increases were spread over a wide range of products.

Milk was up 1p a pint in most parts of the country, and increases in cheese prices outweighed cuts. Butter was generally more expensive in some cases by 4p or 5p a pound.

Coffee is already appearing on some supermarket shelves at the previously predicted very high prices of nearly £1 for a four-ounce jar. Price changes this month depended to a certain extent on how soon action was taken. Rises of 8p-14p for a four-ounce jar were widespread. In some cases the price rose 20p.

Meat prices have been fairly stable, with a slight drop in some cases. A plentiful supply of tomatoes has seen some reduction in prices.

Sauces and pickles prices rose 6.08 per cent in the period of the survey. Sugar, tea, coffee and soft drinks rose 6.4 per cent as a sector, largely as a result of the movement in coffee prices.

Both frozen foods and canned goods have seen little change, despite earlier fears that last year's drought might lead to shortages.

There has been some buying of green vegetables from Australia, and of potatoes and potato products from the U.S., to offset some of the deficiencies experienced by canners and often poor in quality.

The price of fresh fruit and vegetables rose 6.5 per cent. There is a good supply of fruit at reasonable prices, but vegetable prices have risen sharply. It is still difficult to buy potatoes for less than 11p a pound. New potatoes are in at 20p and more. The 40p cauliflower is commonplace. Cabbages are also expensive. Carrots, though not so high in price, are

often poor in quality. One bright spot was the non-foods sector, which includes detergents, soaps, toothpaste, paper and other household products. Lower prices, including some special offers, have led to a 3.5 per cent fall in this sector compared with December.

The trend is one of continuing increases as manufacturers call for improved profit margins and producer prices are increasingly fixed on a pan-European basis.

FINANCIAL TIMES SHOPPING BASKET

Table with columns for January 1977 and December 1976, listing various food items and their prices.

Table showing monthly price changes for various food items from February 1971 to January 1977.

A hint of optimism despite inflation

BY STUART ALEXANDER

THERE IS A hint of optimism about future prospects in Britain, according to the latest survey conducted for the Financial Times on consumer confidence.

Despite increased worry about inflation and unemployment, particularly among ABC1 men, fewer people are now pessimistic about the future.

There has also been a marked increase in the number of people who feel it is the right time to make large purchases.

Although this finding was undoubtedly influenced by the post-Christmas sales, and will have been partly fuelled by the fear of higher prices, the Board points to other factors.

The IMF loan, cheerful prospects of oil, and the pound apparently having stopped its downward slide, have helped.

At the same time, the fear of an increase in mortgage rates has been lifted, at least for the time being, and there are longer-term hopes that taxation may be reduced in the Budget, or alternatively income restraints may not be maintained into Phase 3.

However, the same factors have led to fears of continuing high inflation, and the imminent higher charges for travel and household fuels may, say the researchers, negate the January gains in confidence and a feeling of prosperity.

There have also been some marked changes in specific areas, and in comparisons between the ABC1 and C2DE categories. In

giving reasons for pessimism, there was a jump from 2 per cent in December to a 20 per cent in January in unemployment being mentioned by the ABC1s. Fears of unemployment were slightly reduced among the C2DEs from 11 to 10 per cent.

Rising prices, too, figured high on the list of worries, increasing from 16.30 per cent among ABC1s, and 30.39 per cent among C2DEs.

The Government was seen in an improved light. Those among ABC1s mentioning them as a reason for pessimism dropped from 26 per cent in December to 17 per cent in January and among C2DEs from 20.12 per cent.

Although confidence has improved across all groups, women are still less confident than men, and the researchers say that men increased confidence in the 1,025 adults interviewed between January 4 and 12.

The economic package announced by Mr. Tiley, the Chancellor, last month appears not to have affected this index, and one of the main reasons given by those in the C2DE category was that prices were coming down.

Survey conducted by BMRB for the Financial Times, among 1,025 adults interviewed between January 4 and 12.

On the question of buying the house, there has been an increase among all respondents in a 39 per cent lead in those who think it is a good time to buy.

This is even more marked among ABC1 men, where 60 per cent more think it is time to buy than those who do not, and C2DE women, where there has been an increase in the last month to a 33 per cent lead compared with a 20 per cent lead in December.

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Aid small businesses PM urges councils

BY PHILIP RAWSTORNE

LOCAL AUTHORITIES should give greater encouragement to the establishment of small businesses in inner city areas, Mr. James Callaghan said at the weekend.

Renewal and redevelopment schemes for such areas had frequently destroyed small workshops and businesses, the Prime Minister told the Labour Party's local government conference at Harrogate.

"Local authorities need to ask themselves whether they are doing enough to encourage new, smaller firms to replace these firms that disappear."

There was an imperative need to re-establish them. "We must be more careful than we have been with the small business and factory."

Mr. Callaghan said that such interim action by local authorities could help stem inner city decline until resources became available to tackle the problems on a large scale.

A group of Ministers, under Mr. Peter Shore, would be reporting to him soon on how the Government could best support the authorities in dealing with

environmental decay, poverty, social deprivation and industrial decline in these areas.

Mr. Callaghan said that the emphasis on building new industrial areas outside the main cities are pin-pointed to-day as an important cause of inner city decline.

A book, Education and the Urban Crisis, says that the loss of jobs and skilled workers from the inner areas lead to more poverty and social deprivation among the remaining population.

The Government should, according to Phillips and Drew, alter its present exchange rate policy and permit sterling to appreciate to \$1.80 and be held there.

"The detrimental effect on export competitiveness would only be temporary if the pay package is accepted. If the pay policy bargain is kept, the rate would after a short time, hold itself without Government support."

Other elements of the pay deal are £1.25bn. of direct tax reliefs in the spring budget in return for a 4 per cent norm plus flexibility for productivity agreements with a ceiling of a further 4 per cent. This relief would be conditional on agreement being reached with the TUC.

Increased co-operation in the national interest between the Civil Service and private sector managements is called for by Sir Douglas Allen, head of the Home Civil Service, in a quarterly journal of the British Institute of Management, published to-day.

"A much better understanding of each other's jobs is very much in the national interest," Sir Douglas, Permanent Secretary of the Civil Service Department, writes in the Management Review and Digest.

"For this reason increased interchange between the two sectors and joint participation in courses and conferences are very much to be encouraged," Sir Douglas adds.

U.K. companies for Mideast

Financial Times Reporter

THE HIGGS and Hill Group has formed a wholly-owned subsidiary company to operate in Bahrain under the name Higgs and Hill Bahrain Limited.

The announcement comes a matter of weeks after the group formed a joint venture company in Saudi Arabia—Higgs and Hill Saudia—which has been formed under the presidency of Prince Saud Bin Fahd Bin Abdul Aziz.

The Bahrain company is already carrying out two management contracts for the construction of a \$2.5m, 18-story office block and a \$3.5m, five-rise multi-purpose building with shops, offices, a hotel and printing press accommodation.

Plea for more tax relief

THE LONDON Chamber of Commerce and Industry has joined the growing opposition to the Inland Revenue's proposals to make tax relief to export executives available only if they spend more than 30 days abroad in a single stretch.

In a memorandum on the Inland Revenue's Finance Act consultative document which was issued last month, the chamber called for further concessions to be made in the tax allowances for U.K. export salesmen.

It suggests that the basis for tax allowances should be switched from 30 consecutive days to 30 aggregate days.

The chamber said such a change could provide a stimulus to U.K. exporters, who often suffered in comparison with overseas competitors in regard to pay and expenses.

Public opinion in Europe strongly favours private enterprise and is unenthusiastic about nationalisation, according to a public opinion poll published to-day in Vision, the Paris-based business magazine.

The poll was conducted in Britain, France, Germany, Italy, Belgium and the Netherlands. It shows that almost four out of five people are in favour of private enterprise, while less than a third are in favour of nationalisation.

There are striking differences in attitudes between the different countries. British public opinion favours private enterprise far more strongly than does opinion in the other five countries, with 61 per cent, very

much in favour and a further 28 per cent, basically in favour of free enterprise.

Certainly, 22 per cent of the French sample is very much in favour of nationalisation, compared with only 4 per cent in Germany and 8 per cent in Britain.

These findings are not much altered if attitudes are broken down according to party-political affiliations. Only 4 per cent of those supporting the British Labour Government are generally in favour of nationalisation, whereas 53 per cent of those supporting Left-wing parties in Belgium, and 74 per cent of those supporting the Left-wing in France, are generally in favour of nationalisation.

LEGAL NOTICES

NOTICE OF THE HIGH COURT OF JUSTICE

NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above-named Company by the High Court of Justice, was presented to the Court on the 21st day of January 1977, and that the Court has directed that the Petition be heard before the Court sitting at the Royal Courts of Justice, at 11 o'clock on the 21st day of February 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an order on the said Petition must appear at the time of hearing, in person or by his solicitor, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requesting such copy on payment of the fee for the same.

THORNTON LYNE & LAWSON, Solicitors, 10, Finsbury Square, London, E.C.2.

NOTE: Any person who intends to appear on the hearing of the said Petition must, last-mentioned, and by the name of the above-named, notice in writing of his intention to do so. The notice must state the name and address of the person, if a firm, the name and address of the firm, and must be signed by the person or firm, and must be filed with the Court, and a copy of the notice must be sent to the undersigned not less than four o'clock in the afternoon of the 12th day of February 1977.

PERSONAL

OVER 40,000 SCHOOLS AND EDUCATIONAL ESTABLISHMENTS can be reached by the undersigned for the purpose of Addressing and Mailing Service. Query House, Reading, Surrey, RH1 3DN, Mertonham 2225.

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Dristol, Glasgow, Manchester, London

FT. SHARE INFORMATION SERVICE

HOTELS - Continued

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	Hotel de Ville	99	1.00	100.00	98.00	98.50	99.50	100
Jan. 31	Hotel de Ville	99	1.00	100.00	98.00	98.50	99.50	100
Jan. 31	Hotel de Ville	99	1.00	100.00	98.00	98.50	99.50	100

INDUSTRIALS (Miscel.)

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

ENGINEERING - Continued

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

DRAPERY AND STORES - Continued

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

BUILDING INDUSTRY - Continued

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

CANADIANS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

BRITISH FUNDS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

BANKS AND HIRE PURCHASE

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

ELECTRICAL AND RADIO

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

CHEMICALS, PLASTICS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

INTERNATIONAL BANK

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

CORPORATION LOANS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

COMMONWEALTH & AFRICAN LOANS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

FOREIGN BONDS & RAIS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

AMERICANS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

DRAPERY AND STORES

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

BUILDING INDUSTRY, TIMBER AND ROADS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

ENGINEERING MACHINE TOOLS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

FOOD, GROCERIES, ETC.

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

HOTELS AND CATERERS

Company	Share	Price	Change	High	Low	Open	Close	Volume
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100
Jan. 31	British Petroleum	177	1.00	178.00	176.00	177.00	178.00	100

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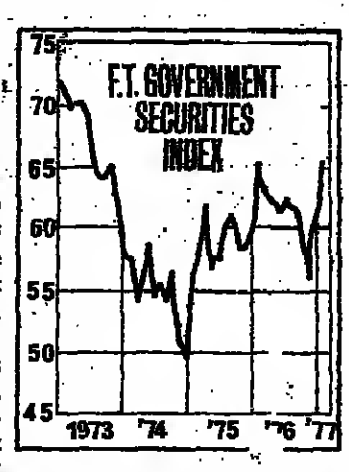
Spanish police hold 200 Left-wingers

MORE THAN 200 members of Left-wing parties have been arrested in Spain during the past 48 hours following the Government's decision to give the police even more extensive powers of detention and search.

GEC leads new bid to win order from Middle East

GEC is leading a renewed U.K. consortium effort to win a major turbine contract to build a power station in the Middle East. The financing difficulties—caused by the huge sums which might have to be paid if completion is delayed or a subcontractor fails—have attracted the attention of more than a dozen committees and several dozen institutions in the last year and a-half.

THE LEX COLUMN Every month can be January



There was a heady atmosphere in the stock market on the last Friday in January. With Minimum Lending Rate down by half a point gilts were active, and when the authorities failed to bring out a new tap stock gains among the longs stretched out to 14 points.

be worth 48p, implying a 75p for Golden Hope contrast the H and C... HME shares on a yield. Assuming a 7 per cent would put a price of 11 Golden Hope.

Move on devolution will embarrass Government

CONSERVATIVES will press in the Commons to-morrow, for a Speaker's Conference on the possible changes in the number and role of Scottish and Welsh MPs at Westminster after devolution.

Meriden plans may be known this week

A NEW package of measures to help the financially-troubled Meriden motor cycle plant, including managerial and marketing assistance from Sir Arnold Weinstock's GEC, is likely to be announced by the Government this week.

Plantation gamble

Genting Highlands describes itself as "more than just a casino of a de luxe resort hotel. It is a centre of fun, games, entertainment, excitement..."

little experience at running a plantation, but it certainly does not lack pluck. With shareholders' funds at the end of 1975 amounting to the equivalent of just under £1.0m. and profits of around £4m. per annum, it is overshadowed by Golden Hope which employs close to five times as many staff, boasts a net worth of well over £50m. and annual profits which could easily top £10m. this year.

Trusts Last week the trust sector index rose a cent, double the advance All-Share Index, as the much-discussed fund takeover attempt in the shape of the British pension funds' mooted Standard Trust. And the market had closed day a two very large Cable and Globe, which are merged with Cable and Globe of Cable. But the merger must illustrate the concern: it is an investment trust in the shape of the trust sector.

Stock Exchange considers sliding scale of charges for Talisman

ALTERNATIVE sliding scales of charges for the Stock Exchange's Talisman computerised share settlement project will be considered by the Exchange's Council to-morrow week as a preliminary to final decisions on a scheme for the settlement of shares. The Council, under its chairman, Mr. Nicholas Goodison, is to review a range of alternatives, all involving scales graduated according to the size of transactions, but pitched at rather different levels, according to different assumptions on the likely volume of future share deals.

Cut of 3% likely in bus services

THE NATIONAL Bus Company expects to cut out about 3 per cent of its bus mileage this year as a result of reductions in grant support from local authorities, whose transport budgets have been put under pressure by the Government.

Engines for Alpines to be assembled at Stoke

CHRYSLER U.K. has taken a big step forward within the last few weeks towards one of the central business targets established in the Government rescue plan. The aim, to bring U.K. manufacturing content in the Alpine up to 57 per cent of the total cost, will be significantly helped by production of the first U.K.-assembled engines for the Alpine model at Stoke, in Coventry.

Weather

UK TO-DAY SOME SLEET or snow. Mainly dry in Cent. N. and E. areas of England. E. Anglia, S.E. England Light snow showers, chiefly near coast. Night frost. Max. 2C (36F).

Continued from Page 1 EEC steel plan

Both the public and private British steel producers are being badly affected by the poor demand for heavy steel used in new manufacturing plant, and shipbuilding. Bidston mini-mill on Merseyside is having to cut its work force by half because there have been so few orders for reinforcing bars used in concrete construction since the public speeding cuts in December.

FOUNDATION CUBITS advertisement with logo and contact information for Holland, Harman & Cubits Ltd.

Table with columns for location, temperature, and weather conditions. Includes sections for BUSINESS CENTRES, HOLIDAY RESORTS, and a list of cities with their respective weather forecasts.